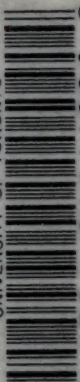


# AMERICAN BUSINESS IN WORLD MARKETS

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JAMES T. M. MOORE

UNIVERSITY OF TORONTO



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**AMERICAN BUSINESS IN**  
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**JAMES T. M. MOORE**







# **AMERICAN BUSINESS IN WORLD MARKETS**

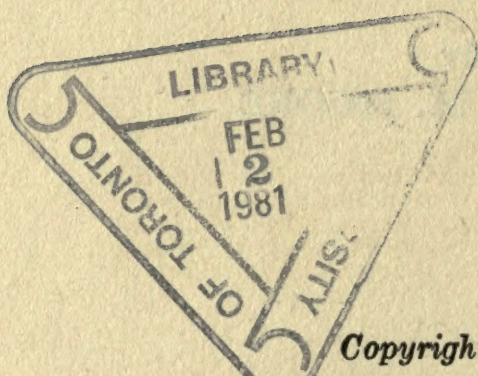
**OUR OPPORTUNITIES AND OBLIGATIONS IN  
SECURING EXPORT TRADE  
THE PLANS AND PURPOSES OF OTHER NATIONS**

**By  
JAMES T. M. MOORE**



**NEW  YORK  
GEORGE H. DORAN COMPANY**





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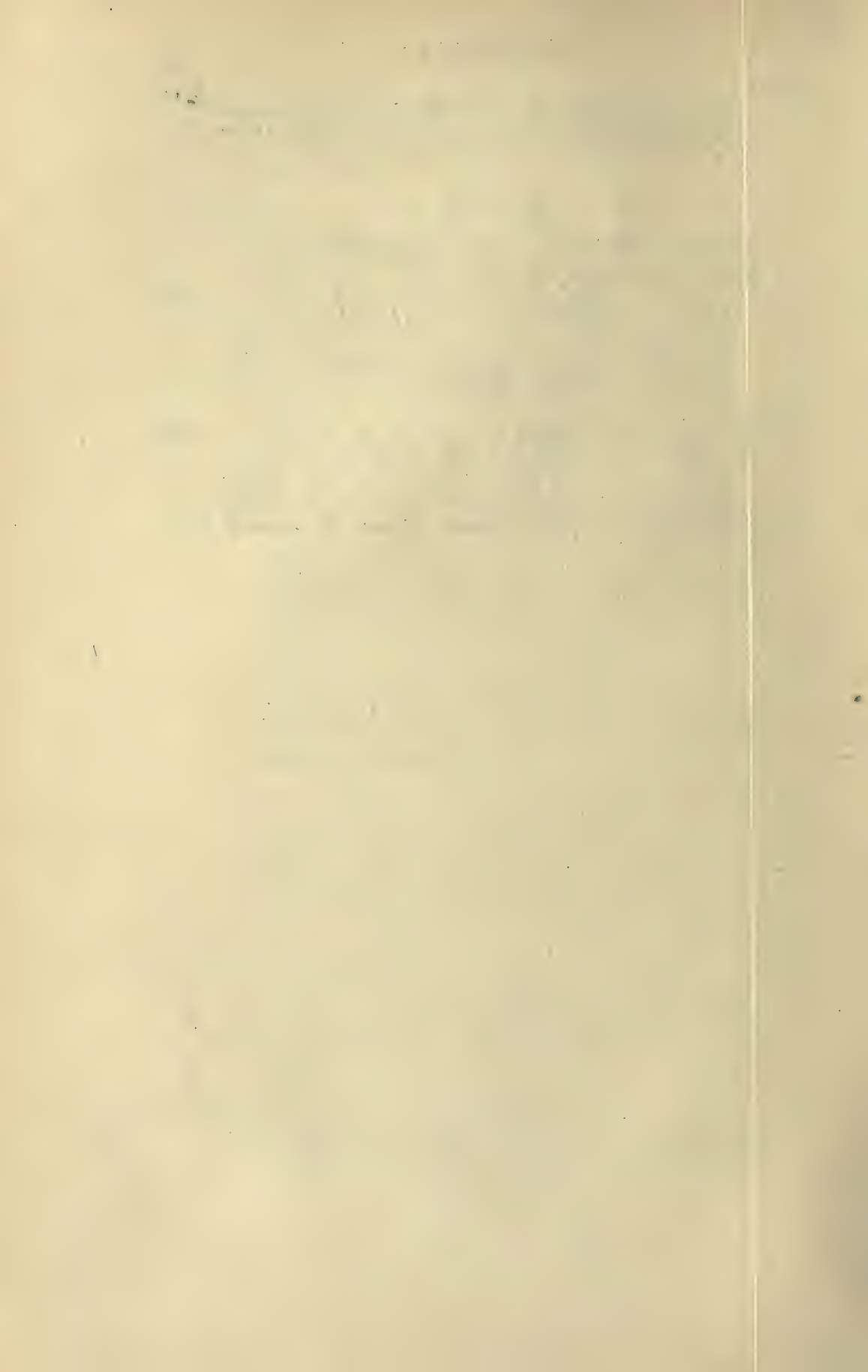
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# PART I

## AMERICA'S NEW, ECONOMIC STATUS

### CHAPTER I

#### THE BUSINESS MAN'S ERA

**The Business Man Coming into His Own—The Politician's Influence Wanes—Where Power Rightfully Belongs—Ancient Civilisations Compare Poorly with That Which Business Enterprise Has Brought—War Inspired Industry with Disposition to Resist Oppression—Its Spirit of Pacifism Is Gone.**

"THE Business Man's Era." Will this be the title which the future historian will place over the new chapter that now opens in the story of the peoples? The most striking phenomenon which he is apt to consider in the period on which we are entering is the sudden ascendancy of the industrialist to power. The war startled the business man to a realisation of what a poor job was being made of the governing of empires, kingdoms and republics—*quam parva sapientia regitur mundus!* What little wisdom was being shown in the government of the world, in our day as thousands of years ago. The world had not advanced much in the matter of its government. War, and a "commercial" war at that, was sprung on it before business men had an inkling of what was going on.



With the coming forward of the business man the future historian will have observed the demagogue on the defensive, the politician being elbowed off the stage. Stupendous problems were brought up by the war and the politician was powerless to handle them. Only men of enterprise, energy and decision were qualified to deal with these problems. And such men fortunately were the business leaders. Had they been in charge there would have been no war. If the politicians had remained in charge where would the world be after militarism and Bolshevism and the other scourges had run their course?

Business men have been showing a vague, inchoate consciousness of their own real strength, which gradually seems to be developing into a definite conception leading them to an assertion of their rightful influence in the direction of the Nation's affairs. Who, they may ask themselves, are best qualified to handle the great questions of the hour? Who should have the chief voice in settling contentious matters of international importance—the working form of the League of Nations, the right to the development of sea power, and others that may profoundly affect the whole future welfare of the country? Which is best equipped to instruct and educate the people on subjects of vital moment—the politician, whose chief anxiety is to follow his followers, to interpret “his district,” to encourage their want of knowledge and even to flatter their lack of patriotism, rather than to lead, or the business man who by the very force of conditions is constantly driving onward, ever forward?

Who, more than the business men, have contributed to the well-being of the greatest number? Who else have it in their power to bring about the Utopia, to make life better worth living for the whole people—what the poli-



tician promises, but has it not in his power to perform—to increase the prosperity of the Nation, to impart the most vigorous impulse to the progress of civilisation?

The ancient Athenians had temples and masterpieces of sculpture to rejoice their æsthetic eye, a system of polity to satisfy their aspirations for freedom, and they may have thought it the acme of mental entertainment to listen under the porticos to disquisitions on metaphysics by the philosophers and the sophists. They attained a notable degree of culture which, like that of other peoples of the past, has often been held up to us for our admiration and in disparagement of our own methods and pursuits, of our own civilisation.

But where was the civilisation of these ancients, in any true sense of the word, if their dwelling places were windowless and dark; if they slept on the ground on rugs; if their food consisted of a few ill-cooked viands; if the winter wind eddied around their bare legs and spiralled up along their bodies under their loose woollen shirts and coarse over-drapes? The world undoubtedly would be poorer without the almost divine morality of Socrates, without the Belvidere Apollo and the Laocoon, without the poetry and drama and oratory of Hellas. But, with all that the ancients have left us, where would the world be to-day without the spiritual courage, the enterprise and the zeal of the manufacturers and merchants of our modern times, without the true business spirit that developed the mariner's compass, that discovered America, that invented printing, that led up to the electrical age in which we live? It would be back still in darkness and semi-savagery, for men are cruel and heartless when the world is poor. The producers and doers of the business world have been the true heralds of civilisation. They



are the benefactors, for it is they who have led us into the era of light and of comfort.

As the doers in one realm of social activity, the men of business had not thought of their capacity to be the doers in the other principal fields. The war opened their eyes. It showed them that not only politics and war-making and the social fabric generally are fundamentally dependent on them, but that, unless they themselves take a direct hand in it, there cannot be success in modern politics, or in war, or in keeping any great phase of human activity going.

The war inspired new feelings, including an increased spirit of courage, a disposition to fight, to smash oppression. Business men had suffered from oppression—on the part of the self-appointed statesman, the politician and the demagogue, who for selfish reasons had kept the fires of strife and contention glowing, and at times also, they complained, on the part of others, including occasionally such specialists as the lawyer and the banker, who made the path of business difficult. Too many were assuming the right to dictate to it. Business had stood for being browbeaten; it had become to some extent affected with a spirit of pacifism. But oppression will no longer be tolerated. The day of pacifism is gone by forever. Business men hereafter will stand up for their rights.

And so our future historian, as he contemplates the new chapter—the chapters on the rule of the patriarch, of the despot, of the monarch, whether Cæsar, king or military captain, and of the lawyer-politician being definitely closed—may, perhaps, intimate that he expects it to remain open indefinitely.



## CHAPTER II

### SHARES IN WINNING THE WAR

**The War Was a Commercial One at Least in Its Finish  
—World's Greatest Military Power Proved to Be Industry—A Foreign Tribute to Share of American Business Men—Those Who Have Proven Title to Leadership—Rights of Business Will Be Asserted.**

It has often been stated that the late war was a commercial war in its origin. It certainly was a commercial war in its finish, for it was in the designing room, the laboratory and the factory that it was won more than in the field. In other words, it was no mere war. Some more adequate term should be found to indicate the colossal struggle of nations against other nations in which all the resources of men, machines, raw materials, manufactured products, human energy of every kind were assembled and exploited with demoniacal energy. The word "war" is utterly inadequate to represent this conflict, which was greater than we now realise and which, only through a certain vista in the perspective of the past, will begin to be adequately appreciated in its overwhelming magnitude.

Germany was the world's greatest military power by her own claim and by the concession of a great many outsiders; but that greatest military power did not win the war. As a matter of fact Germany was not the greatest military power. The greatest military power

in the world to-day is industry. It is industrial power carried out to its fullest exploitation. As time goes on, business men will gradually come to realise that their share in the winning of the war was paramount. A foreign statesman, in fact, has casually paid a pointed compliment in the matter to the business men of the United States. The noted Japanese envoy, Baron Nobuaki Makino, delegate to the Peace Conference, passing through New York in January of this year on his way to France, referred, in a statement for the press, to "the American leaders of industry, trade and commerce, who have perhaps done more than armies or navies to win the war." The graceful remark was not uttered as a sententious expression of opinion but as a casual announcement of fact which was to be taken for granted. And this is the way it will finally come to be taken by the business men of the United States. Gradually, they will realise that in the day of the nation's crisis theirs is the predominant function. Gradually, also, they may be expected to claim for themselves the elementary rights and prerogatives to which such an exalted position in the community entitles them. These probably will include the right to have a say in the administration of the nation corresponding to their status in it and the right to refuse to have their vital interests, their industries and the off-shoots of their industries regulated in any high-handed way by those in the community whose status, when measured on any justifiable basis, is lower than theirs.

The leaders of American industry and commerce will not, of course, seek to have the national administration vested in their particular class. That is not the point. What they may be expected to do is to claim a due and equitable share in the direction of public affairs and in



deciding policies that refer to their own special concerns. The test of war has shown that to them must be entrusted the direction of vital interests in the hour of crisis, and it would be absurd to expect that they should yield up all control of them the moment the crisis has passed.

Leaders in business are leaders by proven title. Bitter feelings have stirred the business world on account of the undue domination of others, and allusion has often been made to undeserved control in many respects on the part of politicians, attorneys and office-holders. Not, be it remembered, that it is the sense of American business that those who fall into these classifications are outside of American business, since, as a matter of fact, in cabinet and other offices are men of distinguished business ability who in every strict sense are business men, and among the lawyers and the bankers the same fact is verified. But the intensity of the feeling that business has too often been differentiated against and that the lawyer, the politician and the banker are among those who too often have made the path of industry and commercial development unnecessarily difficult, can be lessened only by the exalting of business to its true rank in the direction of the national affairs of the community.

## CHAPTER III

### CONGRESS OF BUSINESS MEN

**The Gathering at Atlantic City—How Future Congresses May Be Conducted—Things to Be Taken for Granted—Action and Decision on Action Their Proper Function—Those Who May Participate—Workers Also Are Industrialists—Others Who Merit Title of "Honorary Business Men."**

AMERICAN industries took a notable step forward in their own interest in 1918, when in the month of December they showed they could act as an organised whole by meeting in congress at Atlantic City. The War Industries Board had prepared the way for this by forcing American manufacturers to get together, by making men, who never expected to do so, shake hands with one another and sit on opposite sides of the same table and discuss questions vital to themselves in a frank and open way.

The four days of the Atlantic City congress were consumed in the holding of fractional meetings to discuss questions affecting individual industries and groups of industries, and general meetings to listen to addresses by selected speakers and in voting on the resolutions picked out and condensed by a Clearance Committee from the multitude of more or less elaborate resolutions proposed by the groups.

Perhaps this Congress of the manufacturers' and mer-



chants' side of industry and commerce could not have been got together if its programme had not been planned in accordance with the programme more or less generally established for conventions. The great outstanding advantage of the congress was indicated in the simple fact that it had actually got together. A further advantage exists in the fact that it showed a way for utilising subsequent congresses of the kind for specific action that can be of material benefit to American industry and commerce united as a whole.

It is clear that the next time that American business meets in congress, the fruitless time-wasting features of the average convention will have to be eliminated. Individual industries and groups of industries can hold their special meetings in advance, so that their representatives may reach the congress ready to take part in it as a congress.

There is much also that must be taken for granted in behalf of the delegates to such a congress. It will have to be taken for granted, for instance, that they are familiar with the great questions of the day and the problems of industry and commerce; that they do not need to be lectured to at great length on ethical topics; that they are men of action and decision and that if they assemble in a business congress they expect it is for the taking of action in matters affecting business, so that every meeting of the congress may be a landmark in business progress. The presence of notable personages as speakers undoubtedly lends prestige to a gathering and such personages are to be presumed to have with them a message of importance. But, as the time for such a congress is necessarily limited, long addresses on special subjects could be distributed in advance, instead of being

read to the congress, and the messages of importance could be gathered by the Clearance Committee and made available for those assembled without encroachment on the time available for the vital and essential work of the congress.

Resolutions, even though more or less anodyne, and trimmed and pared to conform to all views and to get by expeditiously, probably have some real effect. But the purpose of a congress of business is action or decision on action. Action in the interest of business as a whole; not the mere formulating of resolutions, but the taking of steps to follow up or carry out resolutions; not merely the deciding on plans, but the execution of them; this must be the aim—to turn effectively to account the quite extraordinary advantage of being able to gather American industry and commerce into a congress.

Those who organised the Atlantic City Congress have put American industry under a debt of obligation to them. It is to be hoped that they will continue the work and organise other congresses. Perhaps they may find it possible to go further and to bring into a single congress all the essential elements of our business life, all who are industrialists, the workers of industry and commerce as well as the manufacturers, merchants and financiers.

And here again there would be much that should be taken for granted. For instance, the American worker need not be lectured to, any more than the manufacturer. It may be taken for granted that he too is familiar with fundamental questions of the hour, that he has been keeping pace with developments, that he is ready to consider action and that, satisfied with the fair-



ness and equity of the plans proposed, he will lend his efforts to promoting the benefit of American business. Let it be taken for granted that he is not so terribly sensitive about his status as a worker, as is sometimes imagined; that it can even be alluded to without his sensibilities being wounded. He will be open to conviction that, as a matter of fact, all engaged in industry have the right to be regarded as workers. Were this not the case, there might be the expedient of putting overalls on the whole hierarchy of a manufacturing business, on the president and treasurer, on the executive force and on the office force, as well as on the men at the machines. No absurd action, however, is necessary, but only common sense and tact and frank and friendly advances toward him, to weld the worker into the common bond and to satisfy him that the intriguing politician is no less his enemy than the enemy of the head of his concern and that his interests are the interests of the industry as a single entity.

One thing more that may be taken for granted, without further explanations, is that there are statesmen, lawyers, officials, bankers, "professional men" of many kinds who have deserved well of industry and commerce, who consequently merit the conferring on them of the title of "honorary business men," and who accordingly might rightfully take their seats in a congress of business.

It is a reasonable subject of reproach that men recognised as business leaders have of late been dealing all too lavishly in hypothetic optimism, announcing publicly that prosperity is ours in permanence, if only business men will co-operate, if capital and labor will get together, if production is pushed, if foreign markets are

taken over, if the wheels are kept turning, wages kept high, and unemployment abolished. They advance no concrete word of counsel as to how all these desirable ends are to be made an actuality. The congress of business can well take up the practical constructive work involved in bringing about the desirable changes, of projecting into peace times some of the war-time policies and achievements.

We have been told of late through responsible organs of publicity that the country is "legislatively bankrupt," that it has a "Congress of pigmies," that "the people do not rule in the United States to-day," that "a people who have just decided the destiny of the world now find themselves without the capacity to set their own house in order." If this is so, what part of the blame falls on American business men? Again we are fortunate in having this congress of business, which can step in, as an organised, or at least an organisable, body, and take up the responsibilities that rightly fall on business men, supplying deficiencies, co-operating in and supplementing the work of the Congress of the Nation.



## CHAPTER IV

### THE RIGHT OF COMBINATION

**Combination Was Essential to Victory—The Handicap of Restrictive Laws—Advantages and Possible Dangers of Industrial Union—Business Men Best Qualified to Work Out the Solution—Union Needed to Alleviate Unemployment—How the Creation of New Industries Is Promoted—Price "Stabilisation."**

AMONG the great practical gains which the mobilisation of American industries during the war has effected is the lesson which it has taught for the elimination of wasteful methods and practices and the establishment of American industry and commerce on a high plane of scientific system. The wastefulness of competition, as it was carried on in this country, proved to be appalling in its extent and in its injury to American business and to the welfare of the American people. It was nobody's business, however, to bother about it, until the war came and made it everybody's business. The first and most urgent remedial measure was to bring the industrial interests of the country together.

Union and combination were the foundation of the great success achieved by American industry during the war. Sharply before the eyes of all who had cognisance of what was being accomplished, was sketched the irritating picture of the evils which can be caused by reckless and sweeping legislative action on the part of those

who are without accurate or intimate knowledge of the inward workings of business. There are dangers, as every business man freely admits, from unrestricted power of combination in industry, as unscrupulous persons may use the combination for the purpose of restricting production and increasing prices and thereby working injury to the whole people. But to meet such a danger by applying the wholesale remedy of cutting off entirely the right of combination may mean a far worse injury in the long run to the nation's interests. In the day of competition which we are entering that country would be under a grievous handicap which retained such laws as have been enacted in the United States, prohibiting the right of combination in industry and commerce. American business men have submitted to such laws with more or less good grace, chiefly because they have been intimidated from using their inalienable right of getting together and determining on steps for their own interest and protection.

A certain measure of combination, for the purposes of co-operation and co-ordination, is an imperative need of modern business for the best interests of the entire community. If to a representative body of American business, instead of to politicians and lawmakers who lack the specific technical knowledge which the case requires, were left the decision on the measure of combination and co-operation in industry which would meet the need and which at the same time would obviate the dangers of price fixing and restriction of production, there can be no question but a satisfactory solution could be worked out which would meet all the requirements of justice and equity.

The interference with the development of American



industry and commerce which prohibitive legislation against the right of combination brought about was not merely of a direct kind. Abuses and vexations of a secondary character flowed from the same source, and the general result was a blighting effect on American industry. Germany was forging ahead with cartels and scientifically planned systems for co-operation and co-ordination—the principle of combination being in certain industries pushed to the point of concentration, enforced syndicalisation—while American industry was writhing in bonds woven by American laws or by extravagant interpretation or application of laws. And now by every indication we are at the turning of the road with regard to the right of combination and co-operation in industry. The one thing long needed in our industrial life, the get-together habit, has been made an actuality.

The war showed that union meant more work, better plans for work, better methods of distributing work. When the question of unemployment is so serious, it would be criminal not to profit by the lesson.

If the creation of new industries is a vital need, let it be remembered that it is by unity and co-operation that new industries are quickly planned and created.

The necessities of war caused the enforced bringing together of industries. The necessities of peace may demand no less.

A special committee of the Chamber of Commerce of the United States has reported a proposal for the modification of the "Anti-Trust Laws," so that the uncertainties arising from the existing legislation may be dissipated, and for the formulation of "standards of general business conduct." For this purpose it has recommended that the Federal Trade Commission, with

membership increased from five to nine, be constituted a supervisory body to administer such newly established standards.

There is a tendency to avoid the word "combination." The right of getting together aimed at is being referred to as "co-operation" or "co-operative agreements." But the demagogue politician deals in words. "Co-operation," which he cannot but approve, will, if it suits his purpose, be labelled "combination," and condemned. "Combination" is a fairly adequate word, seemingly the best under the circumstances, as its meaning is clear and business men understand it as getting together for the purpose of co-operative agreements for beneficent economic service. How the politician interprets it should not really matter.

As a nation we are combining with foreign nations. All the new important projects, political, administrative, commercial, are based on combination. The most practical decisions of the Peace Conference have been evolved in the economic field. Co-operative economic agreements are the solution of world problems.

The British import restrictions on shoes have been modified to permit "fair competition" between British and American manufacturers. Yet in America co-operative economic agreements have been under the ban as if they were in their essence immoral.

The action of the Department of Commerce, in conjunction with its new Industrial Board, in promoting "price stabilisation" by producers of what it calls "basic commodities," among which it includes steel, building materials, textiles and foods, is a significant projection of "war methods" into peace times. It would seem to be



a reasonable inference that agreements among producers cannot be inherently wrong and that, under the pressure of conditions and with proper supervision, their object may even be a measure of price fixing.

## CHAPTER V

### A NEW IDEAL OF COMPETITION

**Unnecessary Waste a Gross Injury to the Country—  
The Enforced Competition That Fostered Disloyal  
Trade Practices—War Industries Board Showed a  
New Way—Fair to Government and Fair to Indus-  
try—The Legislation That Is to Be Desired.**

WHEN the representatives of American business met in Congress at Atlantic City it became gradually impressed on their consciousness that one particular note dominated all discussions, and that was—loud or latent in every notable speech or resolution—the demand for the emancipation of American industry and commerce. The shackles must be struck from business; the throttling legislation must be relaxed or abolished. This was the substantial motive of long addresses and complicated proposals.

The chief aspiration of American business, assembled for the first time in a great representative gathering, speaking for the first time as a whole—speaking in a rather subdued tone, it is true, as if not yet conscious of the great strength it had acquired through acting as a whole—was for freedom. Freedom in the interest of the nation as well as in its own; freedom to do good, not license for evil; freedom, but under every reasonable restraint that might assure its use for upright purposes.

When "restrictions on trade" were spoken of, and



these were constantly recurring words, the demand for freedom was implied. In negative expression there was a very positive concept. Removal of the restrictions of trade imposed as a war-time measure was considered a matter of minor emergency compared with the imperative need proclaimed for the ending of the legislative restrictions that had hampered industry in America for so many years. These restrictions had been potent for evil, not merely as fostering wanton waste of resources, but also as opening the door to despicable commercial practices by the crafty and the unscrupulous. They had led to unfair competition—"disloyal" competition is the term the French use—one of the most disheartening evils with which the loyal business man has to contend. Legislation denied him the right to reach agreements with his fellow business men to combat those unfairly profiting by the opportunities which the legislation made possible.

A new kind of competition is acclaimed as the right of American business, and as an urgent necessity of the whole American community in entering a new economic era. The manufacturer who has high standards to uphold, the producer who teaches the public the merits of honest goods, the dealer who, in his spirit of self-respect and in his instinct for good merchandising, handles the standard grade wares, have too long been subjected to unfair and unnecessary burdens, to wasteful losses, to the penalties that trickery and chicanery have been able to impose. The experiences of American business during the war, under the direction of the War Industries Board, have shown that these losses and burdens, far from being anything like "necessary evils" as they had sometimes been described by the unthinking or the interested in the

days of peace, are in reality a detriment to the best interests of the country.

"That a new and better epoch of competition will be inaugurated as a result of what we have learned through the war, there is hardly any reason to doubt," Mr. D. R. McLennan, Chief of the Non-War Section of the War Industries Board, said to me on this subject. "The Board was created to make possible the successful prosecution of the war. It called in business. It ignored the Sherman law. It mobilised the industries; it made them combine. The result showed to what an enormous extent waste could be curtailed, how tremendously the business interests of the country could be benefited.

"The industries are eager to do permanently for themselves in peace what the Government did for them in war. They are looking for legislation to make it possible for them to combine in curtailing waste, to combine in the public interest. They will not, of course, seek the right to combine for the purpose of price fixing. Standardisation and efficiency are goals towards which they aim, not a standardisation that could possibly imply any restriction on the development of methods of production, but such standardisation as makes for the abolition of waste, and as is now known to be a national economic duty.

"The War Industries Board has shown how easy it is to be fair to the industries and at the same time to be fair to the Government. The Board was commended by both sides. Among the services which it rendered to the Government and to business, through the centralisation of industries, were the lessons it pointed out and emphasised for the elimination of waste, the spirit of co-operation in the interest of industry and of the general



public, better relationships among manufacturers, the importance of industry organising under suitable control, the desirability of modernising manufacturing processes.

"Manufacturers, we now realise, should have easy access to some judicial body in which they could place full confidence and which would be in a position to inform them authoritatively regarding their rights in combining, in reaching agreements and in taking action generally for the stabilising of their industry."

Other men, who had served on the War Industries Board and who were among the speakers at Atlantic City, indicated that the one lesson which should not be lost was that the getting-together of the industries, their collaboration and spirit of unity were essential to the progress of the nation's commerce.

"Whatever else the war experience has shown," said A. W. Shaw, Chief of the Conservation Division of the War Industries Board, "it has proved the ability of competitors to co-operate effectively and the willingness of the country to have them co-operate for the elimination of wasteful practices. It has shown that such co-operation is good for the country and good for business too. We have had two not altogether satisfactory kinds of business in this country—the extreme of competition on one side and the extreme of combination on the other. The first is wasteful and the second is open to well-known abuses, which the laws have tried to prevent.

"If, now, you get a kind of competition from which the waste has been eliminated by counsel and co-operation among the competitors, have you not a more effective system than either of the extremes? This I think is what our war experience has been tending toward. I do not believe that co-operation to eliminate waste in the public

interest violates either the letter or the spirit of the Sherman Law, but I would suggest that Congress make a clear affirmation to that effect."

The legislation that is generally looked for is legislation that will take away from any outside agency the merely arbitrary faculty of saying to the business man what he shall do and what he shall not do. The business man wants to be let alone in exercising his American prerogatives in his own particular sphere.

With such a unanimity of feeling as has been manifested among those who can speak with competence it cannot be rash to forecast that the new competition, with the manufacturers organised for counsel and co-operation, will derive from a form of combination that can readily be kept within the bounds of legality and will be a form of competition better inspired and economically wholesome and sound.



## CHAPTER VI

### INDUSTRIAL LESSONS OF THE WAR

**Standardisation—Its True Meaning—A Middle Course Between Extremes—How Industry May Be Benefited—Danger of Preaching Abstractions.**

**Business Courage—Its Absence Helps Wasteful Competition—How the Great Industries Showed Up Under Test—The Courage That Is Desirable.**

**Conservation in Peace—War Policies Do Not Apply—Ill-Conceived Conservation Would Retard Progress.**

**Cost Accounting—Lax Methods Lead to Waste—A Uniform System is Demanded.**

#### *Standardisation*

OF the lessons for industry which the war has taught, one has to do with standardisation, a word now in considerable vogue and in connection with which some strangely vague and indefinite advice is often tendered to the business world. The War Industries Board, in the course of its work for gaining the utmost efficiency of production of the materials requisite for waging the war, insisted on a generous measure of standardisation.

Industry gained in the process. The agricultural machinery companies freely declare that it was a boon for them to have the thousands of varieties of tillage implements they were manufacturing cut down to a few hundred. Wagon makers were able to drop hundreds of un-

necessary varieties of parts. The war vindicated the principle of standardisation. But that does not mean that the word should be made a shibboleth and the principle worked to death. It was a good thing in so far as it allowed products to be turned out on an economical basis and in so far as it put a ban on the making of varieties of products merely for the sake of varieties. In this sense it should be upheld and the changes which were brought about in war time should be continued.

It has been estimated that where in an industry there were, say, 200 styles or varieties, forty per cent of them were being made at a loss. Elementary common sense teaches that at least those forty per cent ought to be suppressed. On the other hand, to go too far with standardisation and to trim down styles and varieties so that nothing was left but the bald trunk of the tree, producing only the most primitive kind of products, would be even a worse sin than multiplying the unprofitable and wholly unnecessary varieties.

Beneficent standardisation lies in between two extremes. It is not something about which governmental authority can lay down laws and prescriptions. It is not, in fact, a matter for hard and fast rules. Common sense is the only guide, and each industry must be entrusted with the task of working out its own standardisation. It is not a case where advice from the uninformed outsider can do any particular good.

It need hardly be added that standardisation takes no account of any suggestion for fixing or limiting the manner of turning out products. To imagine that there would be any gain in determining the number of varieties in a given industry, as well as the precise means by



which such varieties should be produced, would argue complete ignorance of the economics of industry. It would be a deathblow to progress.

A form of standardisation is eminently desirable in broad lines of national development, but it should always be conceived and put into effect on the principle of making the widest allowance for improvements and innovations. The day will probably come when we shall have a centralised standardisation body controlling and directing subsidiary standardisation committees, which compile information and formulate rules and suggestions for the guidance of individual industries and spheres of work. Such a body, co-relating the development of interdependent industries, could greatly facilitate national progress. The unnecessary duplication of effort, and the waste involved in work on projects that could not "fit in," would be avoided. Industries and inventors would have available to them a knowledge of the direction along which development is needed and of the projects that are practicable and worth while.

The evils that standardisation undertakes to remedy grew out of wasteful competition; the benefits of standardisation, in a somewhat different sense, are in the co-ordination of industrial effort.

It is one thing, however, to urge on manufacturers a specific standardisation which they understand, and quite another thing to talk standardisation to the great body of the public.

There is a fairly general impression that, as a result of war exaltation, we, as a people, are now in a sacrificial mood. Prohibition is pointed to, as the instance, and some preaching economists are urging standardisation, as well as thrift and other "universals." But they should

realise that standardisation as a general doctrine can be actually dangerous and baneful, that a wholesale reduction of varieties may mean less goods, less turn-over, smaller production, fewer wheels turning; less employment, lower wages, cheaper and worse living conditions for a great part of the community.

One of the drags on industry and commerce, a millstone around the neck of progress, has been this very standardisation; to the thinker it recalls the fact that civilisation is still hampered by lack of vision and imagination and by timidity in enterprise. At the call for standardisation we could give up the luxuries, the improvements and the refinements of our modern life and go back to the bald necessities. The gain, it appears, would be that thus we should save; we should have money in our pockets. But, after all, what is money for? If we keep it in our pockets we are merely depriving ourselves of some of the satisfactions—none too numerous at best—of our brief and precarious chance at life.

Standardisation in its essence is retrogressive. It means dropping things, going back. The puritans fastened a good deal of it on the race. We have long been standardised as to hats, clothes, shoes and in our mode of living generally. There are varieties, of course, but this is a case for the French saying to the effect that the more variety there is the more we still have the same thing. Hundreds of millions of human beings have been submitting passively for generations to the dictation of dead men who in their lifetime were certainly not distinguished for liberality of mind or for the spirit of ambition and initiative that makes for human progress.

In the new era business men might well give less heed to the altogether too many "don'ts" and negative retard-



ing counsels that are so freely showered on them, and on the contrary should be inspired with a fresh enthusiasm, with the desire of new things, *rerum novarum*, in Cæsar's phrase for "revolution." The revolutionary impulse for "new things" would indeed be a most desirable counter-agent for the kind of standardisation that has held the world back, and it would be an incentive to rapid progress and a stimulus to business and to better conditions.

And so it would be well for business not to be too easily tolerant of the abstractions and generalities—to be ready to point out that standardisation is not *per se* a good thing, any more than is thrift or other vague and unqualified concepts—lest a whole people, in more or less sacrificial mood, may be led to translate them into action in ways that may, not merely hinder progress, but have the effect of setting us back economically in serious and regrettable fashion.

### *Business Courage*

One of the prime causes of wasteful competition was a lack of courage on the part of the producer. Another cause was a want of proper business methods, of a correct cost system, of scientific forms of accounting. In the race for business, the manufacturer was ready to do anything rather than let an order escape him. He had not the nerve to say, No. He met his competitor's prices; he poured out samples; he multiplied styles. One abuse followed another. Part of his business was profitable; part of it was run at a loss. He had not the courage to put the axe to the latter part. Often he did not realise it was a loss. As long as he was doing business, as long as

he was making profits, he gave the matter no special attention. As long as the public paid and stood for it, he had not cared.

We have not realised that by waste and uneconomical methods we have made prices increase; we have done the public a wrong. If we produced more economically, we should sell more goods and people would live better.

Certain kinds of economies which we put into effect in the war-time search for materials should most assuredly be continued. It was found, for instance, that through the prodigal distribution of large samples, there was wasted in this way an average of nearly a whole yard of cloth for every suit made. It takes about three and one-quarter yards of cloth to make a suit. The saving made by going back to small samples of cloth means material for a million more suits of clothes a year. It was found that the business world was full of just such practices that were sheer waste. Nobody is harmed by cutting down the size of cloth samples or by the elimination of other unnecessary waste. The whole community is benefited by it. And remember that it was not through the War Industries Board or any other Governmental agency that this war-time reform was effected. It was through the manufacturers themselves. The Board called in the industries and asked how they could be put on the most economical basis to aid in the successful prosecution of the war. The industries told how it could be done and then the Board issued orders embodying the reforms suggested and these orders were mandatory. Two hundred and fifty great industries were involved.

The great industries of the country showed up well under the searchlight which the Government's war organisations were able to turn on them, surprisingly well



to the satisfaction of those who were familiar with the charges made against the big industries, of stifling competition, of repressing initiative, of frowning on new things, of shelving great inventions, of standardising to the point of keeping the industry unprogressive and several laps behind similar industries in other countries. Any one acquainted with the standing among the nations of American industry and its unrivalled reputation for keen initiative and untiring progressiveness must know that rash accusations of this kind did not deserve much consideration, and under the test it was seen that there was very little foundation for them. There was a notable degree of healthy standardisation in most of the great unified businesses, and at the same time a policy of active encouragement, of evolutionary development, and a constant reaching out for the newest and the best.

The war rendered a distinct service in reviving business courage, an asset of enormous value to industry. A collective examination of conscience might reveal many ways in which business men have sinned through the vice of pusillanimity. In the coming days the business man who cannot goad his soul to vigorous emanations may entertain some just apprehensions, for the prospect is that wobbling and indecision will be peculiarly dangerous and that courage, calm and serene, will be in demand.

Industry, we are told, is on the eve of a great change. If the predictions of all those who have been warning us about it were realised, it would not be a gradual, natural and desirable change, but a bursting of dams, a sort of cataclysm. The manufacturer who, when contemplating such a possibility, was conscious in his thoughts that he succumbed to the flood, who showed no fight, who put up no struggle in his own behalf and

in that of his country, who failed in self-assertion and did not keep repeating that he was the master of his fate, the captain of his soul, might safely consider himself predestined for disaster if the dams ever did break. The prophets of evil may be all wrong—probably they are—but the possibility of trying days to come ought to spur business men to whet their courage.

### *Conservation in War and Peace*

War-time conservation of course was quite a different matter from conservation in time of peace. The former was strictly a war measure, and economies were made obligatory for one sole purpose, the winning of the war. The policies that determine conservation in peace cannot therefore be based on the war conditions. Thus, for example, while the Conservation Division of the War Industries Board was successful, by getting together with the authorities in Paris and with leading dress-makers in America, in bringing into vogue a narrow skirt for women, with a hem measurement of only about a yard and a half, while the trend of fashion at the moment was towards a skirt nearly twice as wide, it does not follow that economy of that kind should desirably be made permanent.

Conservation and economy, ill conceived, might be a serious danger to business development and to prosperity. We could limit our needs, we could live frugally, we could dress in shoddy, we could walk instead of ride; but that would be going back, instead of forward in civilisation. It is important that the whole people grasp accurately the fact that there are extremes in economics which must carefully be avoided.



*Cost Accounting*

As already stated, a cause of continued wasteful competition among manufacturing concerns is the lack of proper business methods in keeping accounts.

If the manufacturer knew exactly, in hundreds, tens and units of dollars, what a given volume of his production stood him at a particular time, he would be far less likely to squander it in a competitive fight. Where he gazed at it, not as so much merchandise which he was letting go at a price which might or might not allow him to break even, or perhaps to make some profit, but in the form of dollars and cents which, when compared with the dollars and cents he was to receive in his sacrifice sale, showed positive loss, he might reform his methods.

The successful business man does not throw away hard cash. Usually he would as soon take physical punishment as be mortified by being confronted with figures that showed he was engaged in making ropes of sand, going through a farcical performance of purchasing, carrying and warehousing raw materials, subjecting them to a costly process of manufacture and selling them approximately at the price they stood him. A professional expert going through the mummery of his profession, but overlooking the one vital purpose for which he was engaged in that profession! Those who held up for his consideration the figures that revealed the inanity of his undertaking could well deride him, and he must hang his head in confusion.

Sometimes a manufacturer of this class will attempt a rejoinder. "When I let my wares go in this way without a profit," he will say, "I consider it an investment in advertising." But by a remark of that kind he is only con-

founding himself still more profoundly. For the advertising expert will show him with inexorable logic that he is merely abusing words, that the "advertising" he is thus taking to himself is the kind that will make him notorious and not famous, that he is advertising himself out of business instead of assuring to himself the rock bottom foundation of permanency.

The expert accountant will show such a citizen that he is perhaps not making proper distribution of his indirect expenses, or that he is taking no account of economic expenses or of outlay under other heads, or that he is figuring percentage costs and percentage profit on the wrong end of the transaction, or committing some other accountancy blunder. A proper system of cost accounting would be the red flag warning him of impending danger.

It is, of course, an invidious task to assume to tell the manufacturer how to conduct his business. He may quite naturally retort that he himself knows his own business best; that if he does the uneconomical things, it is because he is forced to it by the special conditions. And yet it is imperative that it be impressed on him that the waste must be compensated for somewhere—in loss of profit; in higher prices; in lower wages; in inferior goods; in general injustice to the public.

A resolution passed by one of the major groups at the congress of business men at Atlantic City declared, in its preamble, that "a proper cost accounting system is the only safe basis for the conduct of any business and the only effective restraint for ignorantly destructive competition." It called upon the Federal Trade Commission to "take such steps as may be necessary to insure the adoption by manufacturers of satisfactory cost accounting methods."



The equitable distribution of tax burdens is another imperative reason for seeking the establishment of uniform systems of accounting among manufacturers. Indeed, suggestions have emanated from the Federal Trade Commission regarding the desirability of legislation to impose on American business a uniform system of cost accounting.

## CHAPTER VII

### NEED OF MORE POWER IN INDUSTRY

**Why the American Workman Is Unrivalled—More Power at His Service—Importance of Developing Water Power—Business Congress Adopts Resolution—What a British Committee Discovered—The Best Cure for Low Wages—Other Nations Alive to the Need.**

A REALISATION of the tremendous importance of abundant power for industry has been brought home to all the nations by the war. Failure to give due appreciation to this subject was chargeable not merely to the general public and to the politicians; the leaders in industry had not always shown themselves alive to its importance and economists as a whole had strangely overlooked it.

We heard speculations regarding the day when the world's stock of coal would be exhausted, and those who did the speculating indulged in reassurances to the effect that, after the coal, we should have other sources of power supply, oil and the rays of the sun, and the materials which the wizards of chemistry would put at our disposal, of which elements with mysterious endowments, like radium and helium, were the augury.

It is odd that the vital fact that power in ever-increasing accumulation, power doubled, trebled and multiplied, power obtained easily and cheaply, is one of the prime



essentials of great industrial development, was not grasped or at least was not emphasised. People talked of "sufficient supplies," of "enough," when we should have been out seeking the superabundance. And so we went on using coal as our chief source of power, obtaining it with struggle and hardship, and often wasting vast quantities of energy in the mere handling, hauling and shunting of this source of power to the place where its energy was to be utilised, penalising industry by making it bear a huge burden which keen foresight and good economics might have spared it.

Now, after the war has forced the nations to simple and accurate thinking on business questions, we know that it is urgent to provide for vast resources of power and to do so with a minimum of labor and expense, and with all possible expedition. A striking concrete lesson has recently come to us.

We have long been conscious that the efficiency of the American working man was notably superior to that of the worker in any other country. Results achieved proved it beyond question. The causes to which we ascribed this phenomenon were many and varied, but always illumined by our sense of patriotism. Recently it has been brought to our notice that the precise, the scientific reason why the American working man excels all others is because he has at his service fifty-six per cent more power than the working men in any other country in the world. In the countries where this fact is now understood, in England, France and Italy, the authorities are already engaged on the task of increasing the national provision of power at a vast rate.

In America a campaign of education to make known to manufacturers, to legislators, to business men and the

public generally the need of putting forth efforts to endow the country with greater provision of power was undertaken more than a year ago. It brought important results, although it was conducted within rather narrow limits.

The source from which it is proposed to draw the vastly increased energy for industrial purposes is, it need hardly be added, water power, which abounds throughout this country. There is hardly a zone in the United States that is not directly interested in such a project, and it is one which in some measure concerns every single inhabitant. The mere modernising of the existing water-power plants, the installation of new and better machinery, would mean, it is authoritatively asserted, an increase of at least 450,000 horsepower, an annual saving of several million tons of coal.

More power implies greater facility in production, more opportunities of employment for those less endowed with physical strength—a desideratum that the war has emphasised—and more products.

As a result of action by the War Conference of Business in 1917, a referendum vote was taken among the organisation members of the Chamber of Commerce of the United States on the question of seeking the immediate enactment of Federal legislation on water power. The vote in favor was 1,333, with only six nominally unfavorable. Later on the Sims bill was passed in the House, and the Shields bill in the Senate in Washington, both bills embodying substantially all the basic principles of the referendum reports and entrusting to a Federal Commission water-power jurisdiction with regard to public lands and navigable streams. More than half the unde-



veloped hydraulic horsepower of the country is on public lands.

Mr. Franklin K. Lane, Secretary of the Interior, has asked from Congress an appropriation of \$200,000 to defray the expense of an investigation of the power supply of a special industrial region, that between Boston, Mass., and Washington, D. C. Had the war continued, Mr. Lane said, in a letter written in February, "it is certain that we should now be facing an extreme shortage of power." Forecasting an increased demand for energy, he continued: "If the country is to reap the benefit of this returning wave of activity, it must be prepared to furnish industry and transportation with an adequate dependable and economical power supply. Only by increased economy in the production and distribution of power will it be possible for our manufacturers to decrease their production expenses and compete successfully in the world's markets, maintaining at the same time the American standard of wages and living."

The business congress at Atlantic City adopted this resolution: "Industrial activity is dependent upon the available supply of power. A bill which would affect the development of hydro-electric power upon waterways and lands which are subject to Federal jurisdiction is now before a committee of conference between the two Houses of Congress. It is important in the public interest that Federal legislation on this subject should be enacted without further delay."

The British Ministry of Reconstruction and the Local Government Board are already putting into execution plans for more industrial power that were made as a consequence of the investigations and report to Parliament of the Coal Conservation Sub-Committee of the British

Committee on Commercial and Industrial Policy After the War. Lord Haldane was chairman of the sub-committee. The following extracts from its report are pregnant with valuable information and with sound doctrine:

"In the United States the amount of power used per worker is fifty-six per cent more than in the United Kingdom. If we eliminate workers in trades where the use of power is limited, or even impossible, we shall probably find that in the United States the use of power, where it can be used, is nearly double what it is here. On the other hand, not only are the standard rates of wages higher in the United States, but living conditions are better. There is little doubt that in the United States the average purchasing power of the individual is above what it is in this country, and that this is largely due to the more extensive use of power, which increases the individual's earning capacity.

"The best cure for low wages is more motive power. Or, from the manufacturer's point of view, the only offset against the increasing cost of labor is the more extensive use of motive power. Thus the solution of the workman's problem, and also that of his employer, is the same, namely, the greatest possible use of power. Hence the growing importance of having available adequate and cheap supply of power produced with the greatest economy of fuel."

Elsewhere the report says: "Indeed it is scarcely possible to exaggerate the national importance of the problem of a technically sound system of electrical supply, because it is essentially one with the problem of the industrial development of the country, which largely depends upon increasing the net output per head of the workers employed in the industries in which power can



be used." And again: "At the present time the supply of electricity in Great Britain is dealt with by some 800 undertakings. The average generating plant capacity of those undertakings which have power stations is 5,000 horse power, or about one-fourth of the capacity of one single generating machine of economical size and about one-thirtieth of the size of what may be considered as an economical 'power station unit.'"

The French Association for the Development of Public Works devotes a chapter of its report to the question of water power and indicates that it has arrived at conclusions similar to those reached on the subject by investigators in the United States and in Great Britain. The report deals particularly with the industrial problems as they present themselves in France. It states that "the speedy utilisation of water power constitutes the best means of stimulating, without resorting to the importation of coal at ruinous prices, the development of public utilities and of great industries necessary, not only for the security, but also for the economic life of France." Dealing with the projected installation of water-power plants, it declares that "among all the undertakings designed to complete the nation's industrial equipment, there is no other which presents a character of such acute urgency or which appears capable of combining so effectively the assurance during war of the supplies necessary for the defence of the nation, and the repatriation after war of the huge losses in labor and in capital caused by the war." The report proposes that the water-power projects be put into execution at the earliest possible moment, and that all obstacles standing in their way be swept relentlessly aside.

Italy, handicapped by lack of coal, has been turning to

profit her important resources in water power. She is now utilising about 1,000,000 horsepower out of the total of more than 5,000,000 which she could derive from her cascades and streams. Her hydraulic power is distributed all through the Peninsula from north to south, her most important industrial centres being in proximity to powerful water courses, usually with very rapid currents. In November, 1916, the Government appointed a Superior Council of Waters, comprising scientists and technical experts, whose duty it is to investigate and report on all projects for the development of hydraulic energy.

Italian experts are at work on the problem of drawing the fullest economical benefit from the country's water power, not merely by the generation of electric energy, but by the systematic co-ordination of all the practical uses to which that power can be turned. Thus 1,000,000 hydraulic horsepower will save the country at least \$30,000,000 annually on imported coal. A like amount of power would permit new industrial development of great value. Four hundred thousand horsepower would save Italian agriculture some \$20,000,000 on imported nitrates and imported grain. Less than 100,000 horsepower would effect a yearly saving of \$8,000,000 by permitting the working of the magnetised iron deposits of the Valley of Aosta and the reduction of the importation of iron by some 65,000 tons. With 130,000 more horsepower 120,000 tons of pig-iron could be recovered every year from pyrite cinders with a gain of \$2,600,000, and an extra 100,000 would serve for the treatment of Italy's zinc ores, of which 150,000 tons are annually mined and exported for smelting. The profit here would



be \$8,000,000. Hundreds of millions of dollars would thus be won for Italy every year. On her water power Italy counts for economic salvation and future industrial greatness.

## CHAPTER VIII

### SLANDERS AGAINST AMERICAN BUSINESS

**Tales Spread Abroad About "Commercial Corruption"—  
A Dr. Jekyll and Mr. Hyde Idea—Responsibility of  
Our Own Politicians and Organs of Publicity—A  
Charge Made by Mr. Gompers—Remedies Needed to  
Re-establish a Right Understanding.**

THE good repute of American business is a subject that is likely to be of more and more interest to commercial organisations in the future. There is a feeling in many quarters that the foreigner must be inspired with new views regarding the honesty and integrity of trade and commerce as conducted in, and from, the United States, and that the demagogue at home should be taught that slander is unprofitable.

At the business congress in Atlantic City this was one of the topics discussed in private gatherings. It was recalled that the Germans had made it a national policy to blacken American business generally. Their reputed official newspapers, the *North German Gazette*, the *Frankfort Gazette* and the *Cologne Gazette*, were the leaders in this campaign of vilification.

These publications had their weekly "special correspondence" from the United States. The correspondence invariably fell into two sections. The first part solemnly and ponderously narrated the doings at some German Sängerbund or Turnverein somewhere in the United



States, and the second part, just as invariably, dealt with "American Business Scandals." An alternative caption was "Commercial Corruption in the United States." The special correspondence of the three inspired organs was copied by the minor newspapers throughout the Empire. The Wolff Bureau also disseminated cable despatches from the United States magnifying the most trivial commercial incidents and distorting the utterances of American politicians so as to create striking "scandal" and "corruption" stories. Other countries of Europe were also affected by the virus of this systematic campaign.

In starting on the new phase of American plans for industrial and commercial development many American business men are of the opinion that effective measures should be undertaken for the purpose of undoing the evil already done, and of asserting at home and abroad the determination of American corporations to vindicate the high reputation to which they are justly entitled, and to combat all future attempts to reflect on the honor and exalted principles and methods of American business as a whole.

One American manufacturer told his hearers at Atlantic City that, in connection with the business which his company does in countries around the world he travels in many lands and, like all those American travelers who endeavor to penetrate the thoughts of the foreign business man, he has had the painful experience of hearing American trade methods alluded to as corrupt and dishonest, as if the statement were accepted as axiomatic. He cited instances.

In a railway train in Eastern Europe a Budapest cotton spinner was disserting on the "low commercial morality" of the Americans. The American made the Hun-

garian eat his words, but only after a display of energetic determination, in which the muscular physique of the American traveller may be credited with having had its due spiritual effect. As a guest in the Strangers' Club in Buenos Aires, he had the unpleasant experience of hearing an agent of a European firm refer contemptuously to the "lack of ethical principles" among American manufacturing concerns. Again the American was up in arms, and as he happened to be aware that this particular agent was also the representative in the Argentine Republic of a well-known American machinery company, he forced from the man what amounted to an abject apology.

"The time has come," this speaker declared, "to take action in the matter, and it is a case of organising and of deciding on the methods best adapted for the purpose to be attained. The parties at whose door we should in the first instance lay the blame for the state of affairs we denounce are Americans themselves. And not all of them are mere demagogues or soap-box orators. They are in many instances men filling high positions to which they have been elevated by the suffrages of the people."

He emphasised his point by quotations from speeches and from interviews and signed articles in newspapers and periodicals. He told how he made it a practice of following up the slanderous statements and how more than once he had succeeded in exacting apologies in this connection from men in public life. Certain newspapers in this country which systematically supplied the basis for the stories of American business corruption circulated by the German press agencies have also been tabulated by him for continuous surveillance.

"Now it is a fact," he went on, "that American busi-



ness generally is conducted on a scale as lofty as has ever been reached in any country. Indeed, in dealing with the foreigner Americans have frequently been animated by the humanitarian principles they have revealed in their attitude and conduct in this war. Yet this abuse tends to rob us of what is rightfully our due, to destroy the position on which we should stand and even to place us low in the moral ranks.

"The impression is created abroad that the American business man is a being of two natures, a Dr. Jekyll in charity and a Mr. Hyde in business. Our public men talk as if they were not aware that their words when they denounce American business are scattered broadcast, that there is a real propaganda picking them out, suppressing the compliments and the qualifications and publishing only the abusive statements, that these are quoted and repeated and that they sink in. We should have an association which would make it its business to refute and denounce openly any public official making untrue statements about our industrial and commercial honor and we should have a wide line of publicity to do justice to the integrity of American commercial methods."

Rash general statements regarding hostility between employers and employed should be an unpardonable offence in the new conditions, and anything that might seem a basis or pretext for them should be scrupulously avoided. Mr. Samuel Gompers, president of the American Federation of Labor, was quoted in the press in January, 1919, as having stated in a signed article: "The war brought a better understanding between capital and labor than ever existed before. It was the hope of many—and surely of all labor—that the co-operative relations that grew up when the employer and the employee fought

side by side for America might endure through the years of peace. But, from mutterings that already have come from capitalists, it would seem that theirs was a friendship during the war of only a surface nature; a friendship superficial rather than sincere.

"And that is regrettable. Labor does not want conflict with capital. Labor yearns for peace and tranquility. It asks for a fair deal—and nothing more. It curries no favors; seeks no gifts from capital. But some of the industrial monarchs have already placed themselves on record as being opposed to giving to labor even the square deal it has asked for."

This, if it were so, could not but be a deplorable condition of affairs. But, unsupported by an enumeration of facts to justify so sweeping an assertion regarding the seeming lack of sincerity in the friendship of capitalists for the workers and the prospect of their co-operative relations not being enduring, such statements invariably leave the impression that they are of the kind made by those who, through a habit of considering only one side of a question, have formed a *parti pris*, or those who, having what they regard as a political motive, indulge in exaggerations as a political privilege. Attacks on one side of the business community, if they are rash and exaggerated, are an injury and an offence to the whole business community. By their cumulative effect they can be distinctly harmful.

Heretofore, when made against the employers in a body, they have been allowed to stand uncontradicted. There was no leader or organisation to attend to the contradicting. Now that American industry has shown its ability to get together in congress, the way should be



easy for making arrangements not to allow statements or actions to go unchallenged if their effect is liable to be disruptive of the solidarity that must be conserved between the constituent elements of American industry.

## CHAPTER IX

### INDUSTRIAL RELATIONS

**Capital—Catch-Words That Stigmatise American Business—Labor the Nursery of Capital—Their Interests Undivided.**

**Labor—The American Workingman Refuses to Be Labelled—Appreciates His Rights as an American—Labor Leadership.**

**Representation of Labor—Participation in Industrial Administration—Error of Judging from Extremes—The LaFollette Law—Where Labor May Be Brought In—Welfare Work Improperly Conceived.**

**Minimum Wage—Ill Success in French Cities—A British Plan—The "Minimum Plus"—International Proposals.**

#### *Capital*

THE politicians divided industry into two classes and built up a reputation for each. Capital was immoral; labor moral. Furthermore, they said, there was "antagonism," essential and fundamental; the antagonism of the lion and the lamb. Labor was welcome in national, State and local administration. It was welcome in politics. In fact, politics was primarily in behalf of labor, or "the producers." Capital's other name was "private interests," or "special privilege," or "predatory wealth." Words were weapons.

Capital must be kept out of administration and out of politics. For capital corrupts legislation. This was a dogma with the politician, one of the dogmas that kept



his control secure. Capital's one aim and purpose, if it were admitted to a share in public affairs, would be to corrupt legislation. Therefore capital must be kept out.

And business men were bluffed and stayed out, because those whom the politicians classed as capital, the producers of the nation's wealth and the makers of the nation's greatness, did not like to own up to it that they were capital. A stigma had been attached to the word, and it was enough to scare them away, to make them accept the condition of aloofness from public affairs that was allotted to them by the politician.

The business men who disregarded the ban and entered public life usually withdrew in disgust. They could not bring themselves to use the weapons of the politician to maintain their position. American business, consequently, did not have its full share in American public life.

When the great emergency of the war came, the politician was helpless and the business men were called in. They saved the day.

It is inconceivable that American business will permit itself to be driven back to the old condition, that it will continue to be intimidated by old phrases and dogmas. If business men are capital, then let them accept the title. But let them set their faces against the politician who in the future may attempt to divide capital and labor on the basis of any antagonism. The "capital" of the politicians is of course only a figment of the imagination; and so, too, indeed is "labor."

Capital after all is the aggregation of those who produce and more specifically of those who originate, who take the chances and who create and furnish opportunities for work. Capital is not merely the manufacturer and the merchant, the banker and the professional man; it is

the farmer and the miner, the shopkeeper and the worker of every kind who furnishes work and a means of existence for others. Between capital and labor there is, of course, no wall of obstruction.

Capital formerly was labor. Capital, consequently, is growing and labor is its nursery. The worker who is in the ranks of labor to-day may be in the ranks of capital to-morrow, and without ceasing to be a worker. Many who are capital at the present time will later on be labor, with a prospect of again reverting to the rôle of capital. There is a constant passing back and forth between the two grades, and the one great stimulus to ambition and to the joy of life and of work in a free country like America is the fact that the ranks of capital are always open and steadily receiving recruits from the ranks of labor.

Whatever benefits labor must benefit capital, and whatever injures capital must injure labor, for the interests are mutual and they are interdependent. Capital can have no conceivable motive in preventing labor from organising. Newly organised bodies of workers are hardest to deal with, because usually they seem imbued with the idea that their organisation or union frees them from the obligation of co-operation and co-ordination and can bring to them a millennium of good things, but time heals that trouble and it is an established fact to-day that capital realises that it is greatly to the benefit of the common interests that labor should be organised. The more labor is skilled, the more it is educated, the more lofty its views and the greater its self-respect and its patriotic spirit, the more surely will it understand and appreciate its status in the common life and the better will it fit into its place



in industry. And as capital should organise, not at the behest of any outsider or according to plans formulated for it from without, but only for its own interest and with proper account taken of the interests of the whole community, so also should labor.

The only true conception of business is that which considers it, not as a one-sided affair, but as something in which both capital and labor constitute an inseparable and integral whole. The establishing of correct ideas in this regard is the duty of both capital and labor and it is to their common interest to take away from the politician the catch-phrases and fallacies that have allowed him to remain in power by creating an artificial gulf between capital and labor.

### *Labor*

The American worker—it is an encouraging and comforting fact—refuses to be put into a category connoting inferiority and to remain there branded or tagged. The German worker decidedly was a worker and accepted a grade allotted to him in his class, first, second, or third. He was a master tailor, a journeyman tailor or a second-rank tailor, and so for the other trades. And such for good and all he seemed willing to remain.

Some sociologists and self-appointed class leaders among us wonder why a great chance is being missed, why there is no "labor party" in this country, since the American workers could, as such, wield so tremendous a power. These students of social philosophy are perhaps too busy studying to observe the ways and traits of those among whom they live. They have not observed the American workingman—the worker worthy of this title. They are probably not aware that if a "workingman's

club" were established, or a "workingman's theatre," or a "workingman's department store," the American workingman and his wife would give it a wide berth.

The Bolshevik fraternity show more discernment when they class the American workingman as a bourgeois and his wife as a bourgeoisie. The American workingman and his wife, as far as their circumstances permit, attend the best theatres, buy in the best stores and assert their right to take an interest in American politics on the same footing as the so-called best in the land. Precisely because they are Americans they feel that they are as good as the best, and that they are on the way always to better conditions.

Mr. Charles M. Schwab can harangue the workers in an American shipyard and gain their pleased attention, addressing them as his "fellow-workers," and enlivening his speech by anecdotes of his own career as a worker. But the politician or agitator or other superior person who should try to stir a gathering of real American workingmen by addressing them as "workers" and putting them in a class for the purposes of his appeal would receive short shrift from them. The prerogative of being Americans, free and progressive and with an independent title to interest and participation in the development, politically, socially and industrially, of their country, is one that they are not going to surrender at the invitation of some newcomer with ulterior motives of his own. They have ambition and they have no desire to see it restricted by annexing themselves to a party that will try to hold them permanently by putting on them the brand "Labor," in a sense of which they do not approve.

The American workingman may tell you he is working for the Government, for a corporation, for an individual.



In reality he feels that he is working for himself. His "boss" the other day was working for others. He himself has the prospect of being a "boss," and of providing work and remuneration for others. Not that that precisely is his ambition, for the "boss" notion is a bit odious; but it is a concrete way of conceiving and expressing the reward of systematic, persevering work, of initiative and enterprise, of the opportunity that being an American provides.

The American workingman is ripe for the inculcation of the true doctrine regarding his status, for the overthrowing of the interested politician's catch phrases and of the treacherous agitator's flattering assertions that the workingman is the producer and consequently the rightful dominant factor in industry. The American workingman knows that he is an essential factor in production, and if assured of proper recognition in the matter, assured that the other factors in production recognise that he too fills a primary rôle and has vital rights to consideration, he will not be led to affirm that his share is the paramount one; he may be counted on to co-operate with the other essential factors, to fill his rôle as a part of business, as an industrialist and a business man. Towards this desirable result the old-time politician need not be expected to lend any aid. If it is to be brought about, it is for those engaged in industry to undertake the effort. The cause of labor deserves new treatment.

The prominent and authoritative representatives of the manufacturers in America invariably discuss labor in sympathetic terms. They are chary of criticism, obviously anxious to avoid wounding any susceptibilities. Castigations of labor organisation that are occasionally printed in this country usually come from spokesmen of

other lands. Thus a prominent British industrialist, head of airplane and other factories, who in February of this year was in the United States on business, voiced for publication a manufacturer's view of trade unionism as it is controlled in Great Britain, making an allusion also to the control of organised labor in America. Among other things he said:

"Trade union officials have always been afraid to let the workingmen know too much in fear of losing their own comfortable jobs. I have repeatedly explained to them that by controlling the hours, that is, letting the men work fourteen hours if necessary when there is work to be done, and slacking down to four when there is not much doing, they would avoid the discharge of workmen from factories and every one would benefit all around.

"At the present time, instead of being the most up-to-date and efficient organisation trade unionism in England is one of the largest and most antediluvian concerns extant. The sooner the workingman knows that his leadership is wrong, his premises wrong, his ideals debased, his personal benefit from them minute, and his waste of opportunity the greatest in any organisation in the world, he will begin to want a change. He wants it now in England, but there are no politicians to enlighten him, for they have a party to fear and no leader whom they dare listen to openly.

"Democracy has never been a great judge of a leader. Democracy might have chosen a picturesque figure like the late Lord Kitchener, but never a genius like Marshal Foch. Labor mistakes itself for democracy, but it is only the organised part of democracy. Labor by organisation controls so much, yet it has failed completely. Everybody but labor knows it has failed. To organise a strike



is not a success. To have had to strike means failure.

"Think of the difference in the ideals and character of the man who went to the trenches, his ungrudging presentation of his best effort, his best brains and his life if need be, with the same man's slothful folly in the factory under trade unionism.

"When men take twice as long to build even their own houses, they increase their rents and in this method of stretching hours out they have increased the cost of living before they increased their wages. I estimate that workingmen in the United States in not using their brains and hands for their own good are losing fully \$4,000,000 an hour, or \$8,736,000,000 per annum. Rich men are the mainspring of enterprise and advancement and labor's profit. Rich men are rich, not because they have robbed the workingman, but in spite of the workingman having robbed himself."

The fundamental right of labor is to full remuneration for work accomplished. If it be true that it is the policy of labor leaders in England or elsewhere deliberately to protract the time in which a given work can be performed, then indeed there is justification for the charge that a form of "slavery" is being imposed on the workers. To force or to induce the workers in a plant to take eight hours to do work they could accomplish in four is to mulct them by putting in four unnecessary hours without pay and to make them party to paralysing fifty per cent of the productive power of the plant, to nullifying the opportunity for an equal number to obtain employment, to destroying potential wealth by impeding production, to preventing the cost of living from being reduced and to inflicting indirectly an injury on the whole public. The object of industry is produc-

tion. Without work there cannot be production; without production there can be no wages. If these elementary facts were kept constantly in view by the individual worker, much of the enormous waste caused by industrial strife would probably be eliminated.

It is only human to be impatient of criticism and reproof. The manufacturer will instinctively resent being told how to conduct his own business, and a body of labor may insist on being allowed to manage its own affairs. Whether on the side of manufacturers or of labor it is rare that the most is made of the opportunities that present themselves. Human weakness, especially in the direction of human slothfulness, to use the English magnate's word, is there to prevent it. All men object to being driven; they do not want "efficiency" tests applied to them; they are not machines; they refuse to be commodities. Man is not in this world just for industry.

But criticism may do good, for it may point out evils and losses that have been overlooked or have not been concretely visualised. The manufacturer, while he may not welcome advice, will profit by it, if judicious and beneficial. So also may labor be expected to do under like conditions. If the British manufacturers' restrictions—not so much regarding labor, be it noted, as regarding labor leadership—are well founded and indicate a specific and hitherto neglected matter for improvement in the prime interest of labor itself, they will have justified their publication and may lead to desirable changes.

### *Representation of Labor*

The desirability of according to the workers participation in the councils of industrial administration, and how



this is to be provided for and what measure of participation should be accorded, will of course be the subject of increasing study on the part of those directing the industries.

Here again we are confronted with extremes, and interested parties on opposite sides are unfortunately prone to draw arguments from the extremes. In this case one extreme is a total denial to one element in production of participation in the policy of production, and at the other end is an extreme such as that typified in the Kerensky Prikase No. 1, which conferred on the Russian soldiers the right to use their own better judgment about accepting or rejecting the orders of their officers.

There are some who have seen a precursor of the Bolshevik doctrine in our own Seamen's Act, the La Follette Law, which they regard as indicating a tendency to constitute the workers on shipboard, not merely the arbiters of their own fate, but also the dominant voice with regard to the handling of the ship. This, it would seem, must be an extreme opinion, for, however democratic the flag under which the ship sails, a ship is one place which calls for autocratic government. A ship's captain is and seemingly must be an autocrat, whatever safeguards against abuse of power we may erect around him. If this is so, and the Seamen's Act or any other law should prove to be an attempt against the autocratic government of the ship, it will not be allowed to endure. Incidentally to the La Follette Law, it may be observed, first, that although enacted as far back as 1915, the war caused it to be disregarded, so that hitherto there has been no way of judging how it will work out; second, that the point raised to the effect that the wages stipulation would make the cost of operation of

ships of American registry prohibitive is not conceded by all of the best judges, some of them affirming that wages represent only about four per cent of the cost of operation of a cargo vessel and will represent a still lower percentage with the projected general introduction of oil fuel on American ships, and furthermore that wage increase on American ships would force a corresponding increase on the ships of other countries, and finally that the obligation that a certain percentage of the crew shall be able to understand commands in the English language may ultimately be interpreted as permitting the employment of coolies who have a knowledge of "pigeon English." So that after all the Seamen's Act may not be an appropriate case for argument regarding the administrative representation of labor. However that may be, it will be desirable not to take any stand on the question based on extremes.

The right path lies in between. Many industries have been following it, the workers receiving consideration as an essential element. These industries will be ready to revise their methods and to inquire what fuller form of representation may be due to the working element and others can be induced to follow the example. Both executives and workers must come to realise that common sense forbids the exaggeration of extreme instances, that in the common interest there must be conciliation. The millennium has not arrived and human frailty will continue to manifest itself no less among the elements of industry than wherever men are thrown into intercourse with one another. There is always something to condone on each side and progress and civilisation depend on good will and co-operation.

We may count on it that capital and labor in



America will agree. If they do not, then we shall have come to the end of a fine era of civilisation in which America had taken a noble and conspicuous part.

Capital and labor, by the way, might be good words to abolish. Capital has had a note of opprobrium attached to it and Labor has been made the object of abuse and misuse, so that to-day the words do not fittingly denote respectively the body of American manufacturers and merchants and the body of American workers. No offence may be implied in speaking of "improving labor conditions," "rehousing labor" and so on, but the phrases are calculated to be offensive, as they carry the idea of charity, of condescending generosity, from above downwards. If the workers themselves were understood to be taking part in the planning, improving and rehousing, so that the changes and reforms were to be effected by their initiative as much as by that of any others, it would be a different matter. American workers must be treated as independent, self-respecting, full-grown members of the community if the politician's and the agitator's game is to be nullified and if conciliation and co-operation are to be brought about in American industry.

The democracy of industry is a goal to aim at. Industry will be democratised when adequate recognition is generally accorded to all its various component elements. The trouble has been that, in the past, outsiders have been legislating to impose on industry their notion of its needs in the way of democracy. The change can be properly effected only from within. The internal evolution of industry up to a true democracy would unquestionably prove to be the most potent influence in stabilis-

ing the national régime and in constituting America the model for all governments.

We have heard it affirmed as a motive for discontent on the part of workers in our period that the soulless corporation had come along to hurt the interests of the worker; that in the old days when a single family owned the plant the head of the family took a direct personal interest in each worker, sympathising with him in his woes, having the doctor attend him when he was sick and otherwise serving as a generous patron, whereas now, with a corporation in control, all this beneficence was gone. Now if that is the only change which the corporation has brought, it is something to rejoice over.

The worker in other lands may like to be patronised, to be an humble item in a feudal system, but the further we get away from that sort of dispensation in America, the more we shall feel that our claims to freedom and modern advancement are being justified. Some corporations had qualms on this subject and engaged in welfare work of a kind that simulated the old paternal beneficence of the factory owner. How has it worked out? One of those who have taken a leading part in this form of generous effort recently told me that his people are now satisfied that their welfare work was all wrong. They are convinced, he said, that it would have been better to use the money devoted to welfare work in increasing wages.

Independence and ability to look out for themselves are characteristics of the American workingmen and it would be a sad day if their fibre began to weaken so that they should desire others to look after them, whether it was by personal benefactions or by State or national paternalism in their behalf. They know enough to real-



ise that they themselves would be the losers by it in every case and that, as the French say, they would have to pay for it eventually in their persons.

### *Minimum Wage*

The minimum wage is a question of the immediate future. Mr. Lloyd George has pledged the British Government to it. In Massachusetts and other states we have had laws tending to impose it, but the war has interfered with their practical application.

The French municipal authorities in Paris and elsewhere prescribed minimum wages to prevent the exploitation of the women members of families whose men were at the front. It was a case chiefly of trying to foil unscrupulous sweatshop masters—usually foreigners—in the clothing, dressmaking, feathers, lace and embroidery trades. Sums from five francs down were stipulated as the remuneration for certain kinds of work on the basis of the amount that could be done in a working day. The worker, if underpaid or otherwise mistreated, could appeal to a special board.

But the plan did not work. Those who appealed were boycotted by the bosses and the women generally were intimidated. There was not enough machinery back of the municipal law to assure its enforcement.

In England the plan is being tried of establishing a minimum wage with extra pay for good work. The minimum or basis is conceived as applying to workers who render service which is not above the average. The "minimum plus" arrangement implies adequate compensation for above-average service rendered by the individual. The competent and willing worker is to be paid

for all the service he gives above and beyond that received from those who get the minimum or basic pay.

The establishing in all countries of the principle of the minimum wage, through the appointing of an international labor board to secure joint action on the adjustment of conditions of employment, was proposed by the British Labor Party. It would certainly go far towards solving some of the gravest economic problems of the nations and proving a powerful influence for world peace, if it could be put into effect.

Some British manufacturers have expressed their opposition to the minimum wage project unless the German method of grading labor is adopted, the operatives to be divided into first, second and third class workers and minimum wages established for each class. Labor leaders, however, declare themselves unalterably opposed to any such practice.



## CHAPTER X

### INFLUENCES AGAINST BOLSHEVISM

**Germany's Foul Crime—A Typical Russian Nihilist Group—Wolfish Leader and Following of Defectives—Organised for Sabotage in Industry—Waves of Crime That Follow War—The True American Worker Immune—The Remedy of Publicity.**

A FOUL crime of Germany's was the organising against the nations of the Bolshevist movement. The Russian of tousled hair and bushy black beard, with bombs protruding from his person, was regarded by most of us as merely a comic opera figure. But he existed. England and Switzerland gave the Nihilist sanctuary. Usually he did not directly abuse their hospitality. He conspired—for that was his business—but against other countries.

It was part of the routine of slumming in the White-chapel region of London twenty odd years ago for strangers to attend a Nihilist gathering, and in Swiss cities also the visitor was generally welcome at the group meetings if he brought tobacco or money for the brethren. The "group" generally consisted of a central directing figure, of shrewd appearance, the herder of the flock, surrounded by a number of freaks, male and female, "idealists" and brutes, mental, moral and emotional defectives.

Sunday afternoons were the popular gathering occa-

sions for the Nihilists in the Houndsditch and old Spitalfields sections of London. In a badly-lighted, evil-smelling garret the unkempt fraternity would hold meeting when strangers arrived, seemingly more for the benefit of the latter than for any other discernible reason. The keen and usually wolfish-looking person in charge would designate a speaker and some poor blear-eyed degenerate would arise and rave and lash himself into a frenzy in a foreign tongue, until the slumming party became gradually nauseated and disgusted and decided to go, glad to donate a piece of silver for the "cause," especially as by that means there was better prospect of getting out to the fresh air again unmolested.

Who ever would have dreamed that a great nation would one day capitalise the Russian Nihilist, would one day organise such criminals and madmen as these for the spread of anarchism and for the destruction of that nation's adversaries?

Even before the war Germany had begun to turn them to practical account. They were injected into the "Syndicats" in France and the sabotage committed against French Government property, railroads and industrial plants by the "Syndicalistes" is now known to have been for the most part the work of Nihilists acting under the direction and inspiration of German Secret Service agents. France has not succeeded in rooting them out. They were the criminal element also in the Internationalist body, with headquarters in Berne, which worked to such evil purpose in Belgium before the war, and which during the war scattered funds lavishly among the Anarchist-Socialists of Italy, with results which at various times made the condition of Government in the Peninsula exceedingly insecure.



The grand coup by Germany, however, was the financing of Lenine and Trotzky and the despatching of them to Russia to subvert law and order and to turn anarchy loose. How well the emissaries worked need not here be described, nor the retribution which came down on Germany through the orgy of crime she herself had so wantonly started.

Wars are usually followed by "waves of crime." The atrocious business of killing has a depraving effect, especially on the morally weak, with physiological results which are fairly well understood. Such natures do not revert promptly to the modes of thought and sentiments of orderly life. Murderous brutality as it was taught to the German soldier could only leave an ulcer not easily eradicable. The wave of crime is intensified where civic discipline has broken down, where social disorder is attended by privations of every kind. Poverty and hunger breed the bandit and the outlaw. Germany taught the vilest outlaws of our time how to organise and on Germany falls the responsibility for whatever waves of crime may follow the war she loosed on the world. She need therefore be but little surprised if there is a lack of outside sympathy for her in the afflictions that beset her at home. But if Bolshevism, the doctrine of the cut-throat Nihilists and their feeble-minded followers, brought to Germany a riddle to solve, it has brought a problem also for peoples who had been engaged in peaceful pursuits and who meditated no career of national crime.

How much of a problem is it going to be for America? Are our Socialists turning into Reds and our Reds into Bolsheviks and, if so, how far is American patience to be stretched? That there could be a wide seeding-ground

for such doctrines in America, so that they could grow to be a menace to our free institutions, is something too preposterous to deserve discussion or consideration.

Bolshevism is the foe primarily and essentially of business and of business men. It has been observed that the Reds disregard the two extremes in the social scale; that they make no quarrel with the very highly placed or with the very lowly. Their war is against those in between. Capital—meaning those engaged in active, progressive, constructive work, in the utilising of human energy in industry and trade and in the development of the civilised well-being of peoples—is the avowed enemy. Towards labor the Reds profess friendship. They affirm at times that they are part of a movement in which labor is an element. In reality however the Reds class skilled labor in the same category as capital. It also is the enemy. Indeed their bitterest assaults have been made against trained workingmen, for they are fully conscious that their appeal can conceivably be hearkened to only by the untrained, the shiftless and unskilled, the ignorant and the incompetent.

Can any one imagine the skilled American workingman, who bathes and shaves, wears clean linen, eats clean food, lives in clean surroundings and has a high degree of education, accepting instruction on the vital things of life from the illiterate foreigner whose living conditions have been those of the lowest in the slums of the poorest cities of the world? The American workingman is ever working upwards. Is he likely to listen to some mouthing criminal or maniac who asks him to help tear down the social fabric that permits his sons and daughters to participate in all the refinements of a cultured existence, to receive high-school and university training and



to aspire to the most exalted positions in a free community? It is an insult to the American workingman to have his name invoked by the Reds.

There is money in Bolshevism. Lenine and Trotzky have had millions at their disposal and hundreds of thousands of dollars have been traced from European Russia across Siberia and the Pacific Ocean to New York and other American cities. And, besides, the disciples of Lenine in America practice systematically the levying of tolls on those who foregather with them. As long as this condition lasts there will always be leaders for the Reds, men crafty and clever, willing to take a risk where the stake seems worth while, men to whom America and American institutions mean nothing, if not an opportunity to make money by attacking them. Whatever the fool sheep may be induced to do, the wolves who herd the sheep are shrewd enough to keep within the letter of the American laws. The laws are not adequate to meet the case of such treacherous enemies of the country as these. It has been suggested that the remedy is to alter the laws. For a long time past there has been a sentiment in judicial quarters that a way should be provided of getting after the perverted and unassimilable immigrant and the undesirable citizen.

The Reds in our midst are in a well-defined class. Invariably the directing minds, the wise ones who control the stupid, are foreigners—foreigners in heart, whatever may be their status of citizenship. Deportation has been suggested as a remedy for their case. Of course the ideal way to handle the undesirable immigrant is to deport him from Ellis Island, before he has ever had a chance to put a foot on the Continent. To try to get him out once he has come ashore is quite another matter. Some

of the ablest statesmen in America have expressed the conviction that our immigration laws, at least as they have been applied during the last ten or fifteen years, are utterly insufficient for the protection of the country. But powerful influences have steadily shown an ability to obstruct any serious attempt to bring about reform in the immigration laws or in the method of applying them and it is no secret that there is a general belief among politicians that any legislator who undertook to have modifications effected in the immigration laws would be likely soon to cease to be a figure in public life. So these remedies of deportation and of change in the national laws do not seem likely to be available at a sufficiently early date to allow them to be used with effect against the Reds.

There is one excellent remedy, however, which would surely and effectively suit the case. It is the simple one of publicity. Bolshevism, the conception of ignorance and crime, may thrive on mystery and obscurantism, on foreign words and hocus-pocus. Shown up in its nakedness it would be grotesque and ridiculous. Tell the American people all about the Reds and their "doctrines" and the abomination would perish from our country. A dose of publicity would shrivel it up. American business men are interested in undertaking such a course of publicity. The weaker vessels in our midst are numerous. It would not merely be good business, it would be humanitarian work to impress on the less tutored minds the viciousness and the danger of such un-American doctrines and to direct them with precision as to the course they should follow if ever they should find themselves face to face with the enemies of America and its institutions.



Organised labor would seem to have a special interest in promoting on its own account such a campaign of publicity. Mr. Samuel Gompers, president of the American Federation of Labor, recently declared that the Bolshevik movement is causing a direct injury to American organised labor. "Bolshevism," he said, "is as great an attempt to disrupt the trades unions as it is to overturn the Government of the United States." He added that the Reds by claiming affinity with American organised labor had effectively been creating enemies for the labor unions. What better remedy—indeed what other remedy—can organised labor find for the protection of its interests and of its reputation than frank announcement to the public of the exact facts regarding its own principles and its attitude. In this way it would deal a smashing blow to the foul fiend of treason and anarchism.

In the times through which we are passing it is probable that there is but one alternative for concord between employers and employees, that a cat and dog existence could not long continue. The alternative is anarchy. Bolshevism is an old thing under a new name. It should be brought home to all the people what anarchy means. The way to kill it in the seed is to end the conditions on which it thrives, to end the causes of discord and discontent, to promote education and better living conditions, to show that whoever fosters "antagonism" is the common enemy.

## CHAPTER XI

### THE DOCTRINES OF AMERICANISM

**Scheme of Existence—America's New Relation to World Affairs—No Longer in a Charmed World—We Must Uphold American Principles—No Standing Still—Government Paternalism as an Alternative.**

**Control—The Democratic Principle—The Foundations—Who Shall Conserve the Republic?—The Politician's Claim—That of the Industrialist—The Control That Belongs to Labor.**

**Responsibility—Power Without Responsibility—Need of a New Rule—Where Capital, Labor and the Community Have Been Delinquent—The Case of the Newspaper.**

#### *Scheme of Existence*

THE new relation of America to world affairs makes it necessary for us henceforth to think more broadly, with our ideas not limited to our own country, to think internationally, knowing that we are from now on an integral part of the world administration. We are of the international Society of Nations—practically at the head of it. Like the Spanish influenza, diseases of the body politic can also be pandemic. The afflictions of our equals in civilisation abroad are not unlikely to become our afflictions. We are no longer in a charmed world, isolated from the struggles and suffering, from the griefs and ulcerations of the old countries separated from us by a thousand leagues of water.



If we are not going to insist on our own scheme of life, on the principles of Americanism, on individual freedom and individual responsibility, on free play for initiative and no restraint on the possibilities ahead of that initiative, if we are not going to keep pushing onward and upward, we are going to slide back. There is no standing still. Either we advance or we drop behind. If we are going to allow ourselves to be pestered with introspection and worried about moral, economic and social woes and maladies, real or imaginary, to the point that we may falter and grow weary, then indeed we should be ripe and ready to sink into the soft nursing lap of Government control, passive to attempts to put into actuation public ownership and all the vacuous, soul-killing, ambition-withering theories of the idealists to whom the idea of work, real, intensive and continuous, is repugnant and to whom individual freedom and human self-respect mean little or nothing. Then we should be ripe for the disaster and degradation that such theories would inevitably bring. Americanism would cease to mean anything to the nations.

To business—capital and labor combined—belongs the task of crushing these theories under the heel. Theirs, primarily, is the duty of reasserting the American concept of economic existence, the right of independent self-assertion in conformity with just and equitable laws, the untrammelled right to work honestly and to progress, the prerogative of having an ambitious aim in life and of striving towards its fulfilment. Business must kick itself free from the trammels that are being woven around it, for business is the one main object of attack of all these anti-American movements. If business unitedly determines to force the maintenance of the tenets and prin-

ciples by which America became free and mighty, a harbor for the oppressed and a land of comfortable existence, there will be no doubt of America being able to continue her own superb progress in civilisation and also of being able to spread her beneficent helpful influence throughout the world.

### *Control*

To this end it is essential that there be control, rigid and unflinching, and that that control be in the right hands. Let us note this "control" and get a fixed meaning on it, for it is likely to be much used by the theorists of Government and by the subversive agitators.

Control in an autocracy, as has often been pointed out, is "from above"; in a democracy it is supposed to be "from below," from the people, from the basic unit of government, from the individual with a vote. A system of government can endure only by virtue of its control.

During the war we were frequently told that democracy was on trial. With the war over, democracy is on trial to-day to a greater extent than it ever was. Whatever the theory, we know full well that there are democracies in which control has actually resided, not in the man with a vote, but in the politician. Such democracies are very much on trial. Problems face them which put the existence of government, the maintenance of law and order, the conservation of human progress and welfare at stake.

How does the politician measure up to the responsibility? Does he stand as a bulwark in defence of the



institutions of progress? Is he a standard-bearer, a teacher of virile doctrines, an up-lifter of the body of voters whom he represents? Or is the politician an opportunist and a trimmer? Is he a weak and yielding support for his country's institutions, justifying his flaccid, mollusc conduct in presence of his country's peril by the plea, "My district does not favor strong action; my constituents want the measure which I know to be weak, reactionary, even unpatriotic"?

Where is control to lie in the days ahead, which the contagion of disorganisation in foreign countries may turn into days of genuine peril? The forces of business, the forces that are vital with energy and with constructive ability, the forces that are alive to the imperative necessity of preventing any break in the continuity of civilised progress, are the forces best qualified for control. The leaders in the business world are tested and proven leaders, and to them in national emergencies there belongs a pre-eminent right to a bounteous measure of control. Control in other hands has been tried and found wanting. It is time for those who are equipped for it and whose interest in the safety and progress of the republic—the *res publica*—is so great, to vindicate their right to conserve the republic. While the politician is temporising—trying to smell how the wind is going to blow for him, afraid to take quick decisive action lest it terminate his career and his means of existence, anxious to curry favor with any who may help him, even if they be those pursuing policies inimical to the nation's welfare—the props of national control may be undergoing a sapping process, so that the whole edifice of government may be resting on supports that will not stand the strain if a day of crisis

comes when the forces of destruction put forth a combined and mighty effort to pull it down. In times like these the politician is but a feeble reed. The pillars of steel and granite are the robust forces on which the nation's strength has been built up, the doers and the producers, the designers and the workers. To them belongs not merely the privilege of saving the nation in the hour of peril, but also of upholding it against the day of evil.

In a more restricted way consideration may be taken of control in the nation's industrial life. Insidious doctrines abound on the subject. Labor learns from the flattering politician that to it belongs control. To labor indubitably belongs control of itself. If others—be they labor leaders or politicians—assume to take over the rights of labor in this regard and arrogate to themselves the prerogative of infringing on the measure of control to which other elements in the nation are justly entitled, there arises a condition of danger that demands a vigorous assertion of rights on the part of these others.

### *Responsibility*

Power without responsibility is a prime source of evil, of disorganisation and of useless waste of effort in a new country like ours where development has been in progress on so prodigious a scale. The time has come to inculcate a sense of responsibility, to decide on ways of enforcing its obligations. Business and those whom business serves must come to realise their mutual responsibility.

Roughly speaking we may for this purpose consider the two elements of business, capital and labor and "the community," the community being all who are not part



of a particular industry or commercial enterprise, or group of them, momentarily under consideration with regard to responsibility.

The sins of capital and labor jointly through lack of concern for the community, in strikes and contentions and disregard of the duty of service, have been patent and flagrant in industries at various times and places.

Capital separately—that is of course certain unworthy representatives of it—has often abused the public trust. And obviously there is no monopoly of delinquency in any one industry. It has been discernible even in the publishing industry, and more particularly in the newspaper branch. There capital, as in other American industries, has as a rule guided itself by highly honorable ethical principles, but power without responsibility as it exists in the case of the newspaper can constitute, as experience has shown, a very serious menace, and while the lapses from the rule of honor are all the more notable as they are so exceptional, they are all the more grievous as they can lead to atrocious wrongs to business and to the whole community. *Corruptio optimi pessima.*

Labor, or rather “labor leaders,” have often shown marked contempt for communal obligations. Many persons see an absence of the due sense of responsibility in the proposal of labor leaders that the community buy the railroads and turn them over, nominally to labor, in all apparent probability to labor leaders, to be run practically at their own discretion. It is proposed that the Government advance the money. But the Government, as such, has no money. What it raises belongs to and must come from the people.

The community, through its representatives—the leg-

islative, judicial and executive powers, has sinned also, grievously and often, against business. The general public may be shocked at having responsibility brought to its door for the faults and failures of legislators and functionaries and for neglect to realise that the latter are its representatives and should be held to strict accountability.

In last analysis the whole community is interested in business, is part of business or is dependent on it, from the industrialist, to the professional man, to the functionary and on down to the demagogue and the politician and those who live by their wits. The searching of conscience in entering the new phase of affairs will be vain and the putting of the nation's house in order will not properly begin until measures are taken to set up the rule of responsibility and until power without responsibility ceases to exist.



## CHAPTER XII

### STATESMEN'S JUDGMENTS

**Secretary Lane's Views and Projects—Confidence in the American People—The Get-Together Habit—Disposition of the Administration to Co-operate in Solving Business Problems.**

**Commerce Department Plans—Statement by Secretary Redfield—Aid for Industry—Bureau of Standards—Bureau of Foreign and Domestic Commerce—Conservation Division.**

**Mr. Lloyd George on the Changed Conditions—The Rule for Success—Rights of Capital and Labor—Both Must Receive Increased Recognition.**

#### *Secretary Lane's Views and Projects*

THOROUGHLY optimistic regarding the continued prosperity of the United States and regarding the wholesome democratic policies of its governing powers is Mr. Franklin K. Lane, Secretary of the Interior, with whom I have discussed the "problems," theories and forecasts that are to such an unusual extent agitating men's minds now that the war is over, and from whom I have sought an expression of authoritative opinion on the prospective policy of the Administration with regard to industry and commerce in the new era. His views are expressed in the following authorised résumé.

Secretary Lane deprecates forecasts regarding social or economic upheavals as an offence against the good sense and staunch character of the American people,

That people's marvellous capacity for adaptability to new conditions, for ability to handle new problems of the gravest character, was shown when it was suddenly confronted, he says, with a colossal war effort for which it was practically without preparation. It was the source of the veritable miracle which America performed in the war. That same capacity may be counted on to work more such wonders in the new era.

Nor does Secretary Lane admit that there is any justification for the forecast that this country is drifting toward any radical form of Government paternalism. Heaven forbid that it should, he declares. The Bolsheviks, and those who have lived where life was miserable and without contentment or satisfaction, may sigh for Socialism, for a new theory of communal life. America wants none of the new theory. It has its own established mode of existence, at the root of which is independence and individual initiative, and it is not going to barter its glorious heirloom for any new theory which would narrow and stifle individual effort. We have seen a horrid example in State paternalism in Germany, where a whole people was cast in a debased mold, fashioned by an autocratic government.

On the other hand, however, it is quite true, Secretary Lane agrees, that the war has effected important changes in the outlook on life and in the conduct of the American people. The most notable change, he says, is the very desirable one that we have been developing a broader communal sense. We are showing a diminution of extreme individualism and a striking increase of co-operation with one another. Keeping this fact in mind, we can feel reassured with regard to our ability to solve the problems that are ahead.



Questions touching the speeding-up of our industries for peace work; the control and distribution of raw materials; the determination of commodity prices; aid for the development of new industries; protection for industries that have grown up as a result of the war; the development or restriction of industrial combinations; the harmonising of the interests of capital and labor—all these, and a thousand others, should cease to be a source of serious worry if we reflect that the growing spirit of co-operation has been preparing the way for their solution on common-sense lines and has also accustomed us to look to the Government for guidance and direction and for a sympathetic appreciation of our difficulties, and to confide in it to furnish such help and assistance as will be of benefit, and as can be given without derogating from the principle of the individual's own responsibility.

It is the Government's view that a due measure of the burden must rest on the individual and that all his faculties must be challenged to carry it. But we have seen that, in the emergency of war, emergency measures have been adopted to meet the critical needs. Special machinery for this purpose was created during the war and could be retained or could be created again for peace needs. The Government will be no less willing to adopt emergency measures to meet the special needs of the new period. When the food question became disquieting, prompt action was taken to fix the price of wheat, to indicate the grade of bread to be eaten, to bar the use of meat and wheat on certain days, to insure a wiser policy in the more general use of more available, more perishable, and less essential foodstuffs, so that our armies and those of our associates in the war should not lack the es-

entials. Steel and copper and other metals were likewise rationed to the less essential industries. And so for transportation and commercial supplies and trading facilities generally.

We may rest confident that we shall be able in peace times to cope with any emergency that presents itself; that we shall know when to put special measures into force and that we shall know when and how to drop them the moment the emergency passes.

Socialism grows and waxes strong, where, back of the individual's effort, there is no conscience. But where, as in the broad spirit of co-operation and of personal responsibility to the community which the war has fostered among us, when the man in business has come to feel and to act as if he were managing a public utility, and to deal with the public on that basis, he will assuredly not be an object of molestation, and the Government will not dream of setting up opposition to him or confronting him with enforced competition.

The American people have a large generous standard and their whole scheme of life is free. Hereafter they will have less patience with any system or policy which tends to dwarf personal initiative. The speed we have made in the war, the almost impossible things which we have accomplished, have impressed on the minds of all Americans the advantages that come from freedom of enterprise.

It is because our system has educated the people to be quick in resource, adaptable in the hour of crisis, that we have done the things that many thought could not be done, the great achievements of this war in which we may take a just pride. The whole nation buckled down to the work. Men of large affairs were entrusted with



the handling of the big enterprises of the war. The spirit of co-operation manifested itself. The United States worked as a unit; and so great things were done. Is it any wonder that we are well satisfied with our own scheme of national policy, in which the individual is free and his expansion and emergence is not only made possible, but receives every encouragement, while at the same time we continue well aware of the great advantages that accrue from voluntary co-operation?

With notable prevision Secretary Lane had taken up well in advance the question of providing for the demobilised soldiers, of fulfilling the Nation's duty toward those who had served it and of obviating the danger of serious disturbance in the labor market. His plans in this regard, which, as elsewhere described, include the reclamation of waste lands, the creation of community centres and the turning over, on easy terms of payment, of farms, dwellings and equipment to the soldiers who made the farms and built the dwellings, are being worked out and promise notable benefit to the whole country when money and authority shall have been received from Congress for their actuation.

As for the other problems, he said the present temper of the American people is that whatever is needed to be done will be done. If it is a case, for instance, of meeting a problem of unemployment that might arise temporarily in the possible confusion of shifting industry back over to peace conditions, public works and improvements can be undertaken—road-making, street repairing, construction of public buildings and transportation lines, and the like. Public utilities work can be started, even in advance of its being needed, in order to relieve the passing disturbance of labor conditions.

Were it the case that manufacturers, in any considerable body, needed help in getting back to their peace stride, why again special work could be allotted, or other ways and means found to meet that case also.

New industries may need nursing care and protection. If so, tariff laws and other expedients can be invoked to promote that end. We are certainly not going to be guilty of any criminal economic folly such as allowing our new dyes and chemicals industries, for instance, to be smothered and swamped by a hostile alien.

And based on similar ideas and principles must be the answers to the questions that are being raised regarding our mercantile marine and the possibility of the large amount of merchant tonnage we may soon have being idle for lack of cargoes contracted for in advance, or for lack of foreign commerce to keep it busy. The Government again can take action or can recommend measures to be adopted to meet an awkward situation.

But in this very connection it may be pointed out that forecasts, and more or less gloomy prognostications regarding problems to come, are not always based on accurate premises. Thus there is already reason to believe that there will be a demand on the part of shipping companies, as purchasers, for all or part of the merchant shipping which the Government has constructed or is now constructing, so that in reality there is no positive prospect of the Government finding itself with anything like a white elephant on its hands in the way of cargo tonnage for which it has no immediate use.

Who shall claim also the right of prophecy regarding wage and salary movements and the rise or fall in the cost of the necessities of life? There are assertions to the effect that the workingman's wages will have to be



smaller and Government action will be demanded to force down the cost of living expenses. How can any one speak positively in a matter of this kind?

It is intimated also that habits of thrift and of self-denial have been inculcated during the war and that they will continue, to the detriment of the luxury or non-essential industries. If this is so, it certainly cannot be proved by the fact that last year more jewelry was bought in the United States than ever before in one year. The fact is that even with the high wages there has been no evidence of any exceptional saving. It is highly probable that their purchases of Liberty Bonds and of War Savings Stamps represent practically all the saving that the workers have effected in the unusual period.

The old law of supply and demand with regard to capital and labor may be counted on to hold good. Labor will adjust itself to such new conditions as may arise, just as capital will adjust itself. The one important tendency of our internal development worth keeping in mind is the fact that we are working more and more in co-operation; we are gaining the habit of acting as a unit, capital and labor are being more and more fused into one whole. In greater union within the fold of industry Secretary Lane sees the chief safeguard against the forces of disruption.

As the Sixty-fifth Congress failed to act on the reconstruction legislation which he advocated, Mr. Lane announced that he would press for action on it in the next Congress. He said:

"Congress adjourned without passing any of these important national bills which I have been urging:

"1. The appropriation of \$100,000,000 for providing farms for returned soldiers upon our unused lands. This

measure was reported in both houses, but never came to a vote. I will press it at the next session of Congress. Twenty thousand soldiers and sailors have written to me supporting it.

"2. The Smith-Bankhead Americanisation bill providing a method by which we can overcome illiteracy in the United States and give our 8,000,000 illiterates an opportunity to read the newspapers and the Constitution of the United States, so that they may not be dependent upon what they are told by those who may be hostile to the welfare of the country. This bill will be brought up for passage when Congress next meets.

"3. A measure providing for the survey of the power resources of the East as well as the West, that our railroads, industries, and cities may conserve fuel.

"4. The General Leasing bill under which withdrawn coal, oil, phosphate, and sodium lands would be opened for development under a leasing system, which has been before Congress for five years, and for which there is a strong majority in both houses, as shown by the fact that a similar bill has passed each house three times.

"5. The Water Power bill, which will permit the use of water now running to waste in our rivers and induce immediate investment in over twenty States in the construction of hydro-electric plants."

### *Commerce Department Plans*

A statement in brief of the way in which the Department of Commerce is planning to work for, and in co-operation with, American industry in the new era, was communicated to me in the following letter by Secretary Redfield:



DEPARTMENT OF COMMERCE  
OFFICE OF THE SECRETARY

MY DEAR SIR:

It is the earnest wish of the Department of Commerce to help our industries in every practicable way. It was created for that purpose. Hitherto it has been able in the foreign field and in that of scientific research to be of much service to American business. The time seems ripe to enlarge that service in the domestic field by maintaining the touch with industry that the War Industries Board has had, and through that developing helpful relations between the Government and industry, to their mutual good.

We shall continue the work of the Conservation Division, that of industrial standardisation of the War Industries Board, as well as the reclamation work and the work of the special committee on cotton baling and transportation, allied with the storage committee of that board. The fifteen gentlemen who have been the heads of divisions of that board have been asked to serve as unofficial advisers in this department in connection with the same industries. We hope, in this way, to maintain the touch of the industries with the Government on a friendly co-operative basis and to help them do away with industrial wastes, with objectionable trade practices, with unnecessary and costly, needless styles and varieties of goods, and, through the Bureau of Standards, to co-operate in the working out of scientific problems. This in addition to the propaganda abroad for which work we are asking largely increased appropriations from Congress.

The records of the War Industries Board relating to industry in general and the above matters will in due time be taken over by us, as will those of the War Trade Board when the latter body shall cease its functions.

There are three distinct phases in which the Department of Commerce will take an active part in connection with the general commerce of the country henceforth. They are:

(1) The scientific phase, through the Bureau of Standards. We shall welcome the opportunity to put the large research and experimental facilities of the Bureau of Standards at the disposal of industry, inviting the manufacturers to send their technical men to us and we, in turn, going to them that in as close association as possible with industries on the scientific side we may bring to our factories authoritative knowledge.

(2) Through the Bureau of Foreign and Domestic Commerce—promotive work abroad by means of our own foreign, resident and travelling staff, coupled with the obtaining of information abroad, including the vast mass of information already filed and available and the making of special studies and inquiries where that is necessary. This would include information respecting foreign tariffs, trade-marks, patents, practices, etc., etc.

(3) Through the new arrangements just concluded for taking over the work of the Conservation Division of the War Industries Board: The work of commercial standardisation, the saving of industrial wastes, the removing of hurtful business practices, including the co-operative study with a committee of the industries through their representative advisers of methods to improve the effectiveness of the industries as a whole.

WILLIAM C. REDFIELD,  
*Secretary.*

The Industrial Board, organised in March, 1919, within the Department of Commerce, to study and advise on measures for facilitating the adjustment of business to new conditions, announced as one of its principal aims the bill to authorise purchase by the Government of business might be avoided and "the law of supply and demand helped over the gap between holdover war prices and a stable level."

In setting forth its purposes the Industrial Board further stated:

"Basic commodities such as steel, building materials, textiles and food will be considered first and brought to a staple basis. The governmental policy, as expressed by the bill to authorise purchase by the Government of wheat at the guaranteed price and resale of it at the world price, is to assist in bringing prices of basic commodities to normality by bringing down the cost of living. It is hoped that these steps alone will automatically operate to



reduce the price of fabricated articles. If they do not do so in any particular case, the industry affected will be invited into conference.

"As soon as a stable and wholesome scale of prices is achieved the cost of living will have so far been reduced as to create automatically reductions in the price of labor without interfering with American standards and ideals for the treatment and living conditions of labor, and thus the last inflating element will have been withdrawn from prices. It is believed that industry will agree that the cost of living must be substantially reduced before labor should be expected to accept lower wages, and thus industry should stand the first shock of readjustment.

"The assurance to the country of a market stabilised at the lowest reasonably expected level will loose such a flood of buying for the re-creation of stocks, the making up of arrears in the building programme, the feeding of needs long starved by economy and the inversion of world markets as may stand unprecedented in this country. From the stable level thus reached by co-operation we may expect a healthy and normal condition created by the complete and unhampered operation of the law of supply and demand."

### *Mr. Lloyd George on the Changed Conditions*

Abroad there is a keen realisation of an entirely new condition, of the change coming over the whole face of existence, of the fact that business—capital and labor—is henceforth to be the factor meriting supreme consideration, that industrial relations, the relations of manufacturers, merchants and workers, will be the pivot of

the nation's success or failure. Mr. Bonar Law said, after hostilities had ceased, "The prosperity of the British Empire now depends on capital and labor working together."

Mr. Lloyd George, the British Premier, has called for national unity during reconstruction and has issued warning that in dealing with economic, social and financial problems, there must be a new spirit of co-operation. "We must face all these questions," he declared, "with new eyes and without regard to pre-war views." In an election address he said:

"There is one condition for the success of all efforts to increase the output of this country—confidence. . . . You must give confidence to all classes, confidence to those who have brains, to those who have capital, and to those with hearts and hands to work. I say to labor: You shall have justice; you shall have fair treatment, a fair share of the amenities of life, and your children shall have equal opportunities with the children of the rich. To capital I say: You shall not be plundered or penalised; do your duty by those who work for you, and the future is free for all the enterprise or audacity you can give us. But there must be an equal justice. Labor must have happiness in its heart. We shall put up with no sweating. Labor is to have its just reward. And when the whole world sees that wealth lies in production, that production can be enormously increased, with higher wages and shorter hours, and when the classes feel confidence in each other, and trust each other, there will be abundance to requite the toil and gladden the hearts of all. We can change the whole face of existence."



## PART II

### THE SCIENTIFIC METHOD IN COMMERCE

#### CHAPTER I

##### FOR A NEW MORAL CODE

**Men's Sensibilities Dulled by Revelations—German "Science" of Commercial Expansion—Others Have Studied in Same School—Prospect of Germany "Coming Back"—Her Real Purpose in Bringing America Into the War—German Business Men to Lead Government—Frightfulness in Commerce—No Sign of Change of Heart.**

THE heart of mankind became calloused under the constantly recurring shock of the news of war atrocities and of calamities to human beings that stunned and deadened sensibility. There is no doubt that there has been a dulling also of the fine moral fibre that elevated business principles throughout the world, as a result of the revelations of unscrupulousness, treachery and unfairness in the business dealings of one nation with others. A genuine problem of reconstruction that faces the United States is the revitalising of that fine moral fibre throughout the world.

As in warfare upright belligerents see themselves forced to make reprisals, to imitate degrading methods in order to defend themselves against the barbarian who

is limited by no sense of principle, so in the business world there is always the danger that the man of principle may be forced in self-protection to retaliate with some of the measures of the unprincipled, with the result that the whole scheme of business suffers a degradation. If we are to reinstate throughout the world American ideals of honor, fair play and generous dealing in business, we must first dissect in detail the new body of business methods which the unscrupulous have gradually been imposing on the world.

Germany, in following her studied plan for the conquest of the world, developed the "science" of commercial domination. Were it not for the ignoble methods often employed, we might say she had made of commerce a fine art. She had assumed mastery in it. Her kultur, progressive efficiency, was represented notably in commerce.

Psychology and the study of human traits in the various lands of the earth were no less a feature of her scientific study than were geography and all the concrete details regarding markets and merchants and merchandising. It would be vain to deride or minimise the importance of the German work and methods in this regard. They have made their impress on other peoples. Other countries of Europe have studied the science of business in the temples of Germany. Germany might cease to exist as a state and as a power, and yet the German scientific methods of business would march on. They will march on and they will be intensified, and there is no question but that the commerce of the world will thereby be lowered in moral tone, unless action is taken by the free peoples with upright ideals to bring into disrepute that "science" of commercial trading which



implies disregard for the rights and feelings of others and repudiation of the most honorable traditions governing intercourse between men.

To know the evil in its intimate facts, it is important to reveal the methods resorted to by Germany to build up in brief time her huge fabric of commerce and of power in foreign countries. There need be no disposition to add to the burden of woe and of universal odium which Germany has brought upon herself. But on the other hand any false sentiment in that regard would be entirely misplaced if it prevented the publication of facts of which the business men in a country like ours should be informed so that they may know the dangers they face and so that they may study measures to overcome them. To Germany herself, and to nations that have shown an inclination to follow the German lead in this regard, there will have been rendered a distinct service by the propagating of this knowledge throughout the world, if the result will be to force them back to the paths of honor and integrity which the leading nations of the world have followed in their business relations. Not indeed that this would be a very good and sufficient reason for making such publication, as there is no indication of a contrite or penitential spirit on the part of Germany with regard to her business crimes any more than with regard to her murderous atrocities in warfare.

Germany, as a matter of fact, is far from being overwhelmed and crushed to earth, either in a military or commercial way. There is no doubt that she will "come back." She is probably in better shape economically than most of her European adversaries. She still has a huge stake in foreign countries and in world markets. She had foreseen and prepared for the possibility of defeat in the

field. The world has been surprised that in true military pride she showed herself entirely lacking. She seemed willing to be not merely beaten but disgraced. The French, after the loss of many a conflict in their long history of warfare were always able to say "All is lost except honor,"—"Tout est perdu, fors l'honneur." In the German case it can be said that "All was lost, even honor"—"Tout fut perdu, même l'honneur."

The Germans, of course, do not look at it in that light. When the possibility of losing the war had been laid before them, they were always assured that there was another war in which they would not lose—the business war, der Wirtschafts-Krieg. They were not going to fight out any forlorn hope on the battle-field merely to uphold their military honor before the nations, if the consequence was to be injurious to their hopes of commercial supremacy. They stopped the war with their armies still intact, with their soil untouched, with their industrial establishments erect, with fires burning and wheels revolving. In the course of their war they had made it their business to inflict the utmost possible destruction on the economic property of their competitors in business, whether belligerents or neutrals. Their submarine campaign against merchant shipping unquestionably was motived in an important way by economic consideration. Honor or no honor, they must have the economic advantage; they must keep their own reconstruction problems to a minimum; they must be fresh and ready to start in the new race.

The bringing of the United States into the war, which seemed such an egregious blunder, was not a blunder from the German point of view, since it imposed an enormous economic waste on this country which other-



wise was growing tremendously powerful in a commercial way, far too powerful not to alarm the Germans who kept the commercial future ever before their mind.

There need, therefore, be no apology for delving into the systematic iniquities of German commercial methods, since Germany has not been removed as a commercial menace to the world and since, even if she had been, the methods which Germany originated are quite likely to be followed by others, unless this country and those like it which champion free, clean, live-and-let-live principles in commerce, succeed in restoring to the world the ideals that made of industry and commerce a noble and honorable avocation.

Every American engaged in industry and commerce would rejoice if business were really freed from its worst incubus, if it were an established fact that the old American principles of freedom and honesty and above-board methods in competitive trade were re-instated throughout the world. But unfortunately there is nothing to prove it, apart from the conjectures of some well-intentioned but obviously ill-informed persons. On the contrary, there is every reason to believe that nothing of the kind has occurred.

Towards the end of 1917 German business men began to agitate more or less openly the prospect of Germany losing the war and the measures which in that case should be adopted so that defeat might be converted into victory. Then began the conventions of leading merchants and manufacturers, which were held in Hamburg.

Hamburg, we heard at that time, was revolting against Berlin. Vigorous speeches of the late Albert Ballin and other business magnates were quoted as indicating that the men who in industry and commerce had been the

makers of the great and prosperous modern Germany were breaking loose from the Junkers and the Military Party who were dominating the Empire. The close observer, however, had reason to be sceptical regarding the pretended arraying of Hamburg against Berlin. He learned, for instance, that Government officials were lending the prestige of their presence to some of these Hamburg conventions. At one of them, in November, 1917, Herr Huldermann, a director of the Hamburg-American Steamship Company, delivered an address in which he more or less openly contemplated the failure of the German armies in the field and forecast the future in that event. Scores of Reichstag deputies and representatives of several of the Imperial Government departments were present on the occasion, having been conveyed to Hamburg in special trains. Although the Hamburg men were supposed to be "in revolt," there was a distinctly official air about the meeting.

Herr Huldermann said that, in the worst eventuality for Germany, it would be part of the stipulations in the peace conference that that country's enemies, the Allies and the United States, would agree to pool their raw materials and to allot a share to Germany, and would also pool their shipping, with Germany again receiving her allotment. It would be necessary, he said, for the business men of Germany to be allowed a prime share in the administration of the State. The diplomatic service and the foreign representation generally should be the prerogative solely of those versed in economic matters. The men who had made Germany rich by their dealings with foreign countries should be entrusted with the task of re-establishing friendly feelings for Germany on the part of those who had been her enemies.



He described the plans for quickly renewing German commerce with the neutral nations and pointed out the prospects for the expansion of German commerce in central and eastern Europe, through the development of waterways, closer union with Austria and other means. His speech was distributed broadcast to the business men of Germany and was heralded in business organs as an encouraging and satisfying announcement. It will be worth watching, by the way, to see how good a prophet Herr Huldermann was. At any rate, here was issued an intimation that if Germany lost the war the Military Party would hand over the reins to the business leaders—Berlin would yield to Hamburg.

With the signing of the armistice the military oligarchy surrendered control of the government. The business men did not—or at least did not openly—assume control. There occurred what appeared to be an interregnum—the customary phenomenon in the change-over from one order to another. In this case it looked like good business. There are times when a simulation of disorder is first-class strategy. General Joffre, in the last week of August and in the first days of September, 1914, deliberately gave the appearance of disorderly rout to the retirement of his forces to the positions on the Ourcq and the Marne, where he had decided that the great battle should be fought. Von Kluck with the German First Army blundered headlong into the trap that had been laid for him.

Great homogeneous nations of modern times show the power of quick recuperation from disastrous wars. France after 1871 “came back” with a strength and rapidity that surprised the world, although in the period immediately after her disaster she had to contend with

the Communist troubles, which seemed grave indeed at the time.

To speak of disaster in Germany's case is probably a misuse of words. The end of the war saw Germany in relatively good physical condition, in comparison with the other nations of Europe. The "Imperial democratic government," as Premier Clemenceau characterises it, was put in the hands of "Socialists" probably long pre-ordained for the task. Ebert and Scheidemann were as much a part of the imperial war organisation as the Kaiser himself. They or others like them could be expected to stay in power as long as sympathy was a desideratum and until Germany, in apparent abasement and abandonment, obtained a "good peace." Afterwards we might perhaps look for the fulfilment of Herr Huldermann's forecast of the taking over of the administration by Germany's business men.

But no radical change in German commercial methods need be looked for. Herr Huldermann, in that comforting address to German business men dealing with the eventuality of loss of the war in the field, spoke of the other war, the economic war, which must go on and which Germany must win. The commercial war is still on. It had never ceased. And it allows no place for the ethics of commerce as understood in America. The scientific methods of "economic penetration" as taught in the Handelsakademien, the Polytechnika, the business academies and colleges of Germany, and as practiced by the diplomatic, the financial and the commercial organisations of that country, are founded on unscrupulous disregard for common honesty and for the rights of others. Schrecklichkeit—frightfulness—which was at the basis



of German methods in the field, is discernible also in the German policy of commercial warfare.

German propaganda with a view to trade advantage continued during the war and still continues. Its chief virulence to-day is directed against the United States. From all over Europe we have reports of the energetic campaign being waged in the interest of German commerce by special agents and by the diffusion of printed matter. American correspondents have cabled accounts of the "tireless German propaganda" which is being carried on for the purpose of disrupting the good relations between the Allies and the United States.

The Department of Commerce has published some items regarding German commercial practices in Denmark, which indicate that there is no change in the methods which have come to be known as characteristically German. The State Department has let it be known that, according to its advices from The Hague, Professor Brinckmann was in Holland in charge of German propaganda for foreign countries, and that he was actively engaged in a particularly vicious campaign against the United States. The advices intimated that Herr Brinckmann had agents in the United States who were keeping under cover, but who were giving occasional evidences of their activities.

Herr Brinckmann is one of Germany's well-known teachers of the "scientific" way of developing commerce to the detriment of other nations. If the "Socialist" government kept him in office months after the signing of the armistice and authorised him to continue his work, it is an object lesson which American business cannot afford to overlook regarding the continuity of German commercial policy.

And let there be no easy assumption that Germany's commercial influence abroad has been destroyed as a result of the war. One significant incident in this connection can now be made known without prejudice to the interests of Germany's adversaries. When Great Britain started the blacklisting of German firms abroad, a number of German banks and business firms on the west coast of South America came under the ban. These German concerns determined to retaliate by doing a little blacklisting of their own. So powerful were they that British, French and American houses were thereby stopped from doing business. It was regarded as the part of wisdom for the British Government quietly to suspend that part of its blacklist against the Germans and business was resumed.

Thus far at least the leopard has not changed his spots and it would be imprudent for American business men to disregard warnings of conditions that continue to be a menace to the free development of American commerce.

With the coming of peace the German business men are getting together again in their beer halls. With their methodical gregarious habit they meet at certain hours on certain days around the old Stammtisch, "the tribal table," around which the fathers and even the grandfathers of some of them may have met in the past. Tables of various sizes, each with its group, are distributed throughout the hall. And the individual group with characteristic air of solemnity, and amid ceremonious "prosits," gets down promptly to serious talk of constructive character.

"We fought the good fight," we can hear them say. "We took hard knocks. Our heads are bloody; but unbowed. We gave as good as we got. For four years



we stood off the rest of the world—all of it that counts. We have been set back a good deal. But we set our enemies back still more. We came home with banners flying and bands playing, back to our soil which had been unscathed. We dealt blows that our enemies cannot recover from for many years, and in the meantime we shall get off with a good start to carry out our plans, to beat down the obstacles that stand in our way. The first round is over. The second begins. We shall work as we never worked before. We cannot be beaten. We are of the stuff that makes world conquerors.”

Germany's business men defended and approved, and thus accepted their share of responsibility for German crimes in war. They have accepted like responsibility for Germany's treacherous commercial policy. But it would be vain to make note of the fact or to waste time in denunciations, if we are not going to act, to use the knife to hack out the German cancer so that it will not grow again. The German methods have been in our midst befouling America's trade reputation. They must be ruthlessly destroyed, no matter who is injured in the destroying. Let us know the German “scientific” methods of trade, so that we may recognise the danger and so that in international trade relations we may replace the German spirit of greed and foul dealing by American honor and character, straight-line methods, helpfulness and good will.

## CHAPTER II

### PROTECTION OF AMERICAN TRADE

**Government Apathetic in the Past—American Interests Attacked with Impunity—Business Men Must Unite for Their Protection—Task Involves Work Administration Cannot Undertake—What American Trade Faces in the Future—How Germany Stands Industrially.**

THE Government undoubtedly can do much—it is actually doing much—in the interest of the foreign trade and industry of the United States. But the tasks that are ahead for the protection of the industries and commerce of this country, and on which not a moment should be lost, are so variegated that some of them are of a kind that the Government organisations, as at present constituted, are not in the best position to undertake.

All that pertains to commerce protection supposedly falls within the competence of the national Government. Governments generally in the years immediately preceding the war were taking a quite paternal, if not patronising, view of their relations to trade and were “doing something” for home business.

All at once there was quite a burst of activity. The Imperial Russian Government sent out a swarm of commercial agents, independent of the consular service and of higher rank than the consuls. These agents estab-



lished headquarters in the principal commercial cities of Europe, advertised in the local press, delivered lectures and held "conferences" under the auspices of the local authorities and loudly notified the world that Russia had desirable wares to export and was anxious for all kinds of trade information. Italy sent out a number of royal commissioners to cover various lines of trade and the prestige of their rank assured them a dignified reception wherever they went. England appointed commercial experts abroad—some of them Germans. Knighthood titles were conferred on them, and Sir Knight and his Lady were conspicuous at German civic functions. American trade agents filled a somewhat different rôle, being sent out for specific work of a restricted and practical kind.

Germany, it may be noted, did not enter into the general rivalry in the use of the much heralded commissioners or agents. If she had parties out watching other peoples' business, she did not advertise the fact.

It was felt in Europe generally that the treatment of American trade abroad on the part of its own Government was rather shabby. This was ascribed to the political war on the great American corporations. When Germany, a few years ago, undertook to confiscate the property of the Standard Oil Company by the creation of an Imperial Petroleum Sales Monopoly (*Petroleum-Verkaufs-Monopol*) who was there to dare vindicate the rights of an American corporation? Every attack—and it happened that there were many in that particular period—made in the United States on the Standard Oil Company and other large American businesses, was cabled to Germany and printed conspicuously by the press. The German press gladly disseminated the news

that the Standard Oil Company was the old "he trust," in the elegant characterisation of an American Senator. All who ran might read in Germany of the utter iniquity of American business, and Germans felt that there was practically no limit to what they might do against American corporations.

And these corporations pathetically continued to lean on the slender reed of their own Government's protection. They did not dare to do the one thing palpably indicated by their own best interests, namely, to combine for their protection in foreign markets. The odium which had been spread around them was not confined to Germany. German agents took care to circulate it in all the countries in Europe in which Americans were their competitors. There is a residuum of it left, despite all the benefactions America has conferred on European countries in the last few years.

What they failed to do in the past, American corporations will have to do now. They will have to organise for protection. The sooner they begin to make their preparations the better it will be for them. They can look after their interests in a way which the Government could not be expected to do for them. The Government will be busy with other problems. In any case the Government could not very well undertake a specialised form of trade protection, and yet it is against particular countries, against Germany and those that follow German methods, that American trade needs protection.

Besides, even if there were no other difficulties, Government agents would not be the desirable instruments for the protection of American business against organised and insidious attack. American merchants and manufacturers must select their own agents. The Govern-



ment, of course, can rightly be called upon to insist on the removal of some of the outrageous disabilities placed on American trade in Germany, such as the practical obligation, if an American firm is going to do business in any large way, of organising a subsidiary German company and thereby laying itself open to a minute and continuous inquiry into its affiliations in all parts of the globe, its business, its processes and methods. If the details that are thus extorted do not furnish the German department of economics with every last fact it is looking for, they provide material for the German trade spies in other countries to supplement the information.

It cannot be expected that the American Government will undertake the work of ferreting out the snares and ambushes that are laid for American trade throughout the world by the German system. This would inevitably develop into a form of official trade warfare in which the United States, with its above-board methods, would be but ill equipped to compete. The work falls on the shoulders of the American traders themselves. And they should not allow themselves to be distracted from the urgency of undertaking this work by anodyne reports regarding Germany's physical condition. What Germany did to American trade in the past was only a trifle compared to what she is already prepared to do in the future, if steps are not taken to remove from world commerce the dishonoring processes that are threatening.

Reports that Germany is exhausted, that her workmen are anæmic from starvation, that her railroads and manufacturing plants are hopelessly run down, and that she will be far behind when the commercial race begins, may well be suspected of being a rather coarse form of German propaganda. War, instead of totally

exhausting Germany's industrial and trading potentialities, actually organised Germany anew for commerce. The vast majority of the plants that were working to capacity on war-time production can be turned over to commercial production; the plans for the shift-over were long previously made, just as the arrangements for the shifting of the aniline dye and heavy chemical factories to the manufacture of explosives had been made and were instantly put into effect when the war began. Commerce will be conducted under a concentrated organisation similar to that which proved so effective in the conduct of warfare.

Germany expects to be in better shape after the war than any other European country. Russia, economically, she expects will be her province. The neutral European countries, irrespective of where the sympathies of their peoples may lie, were Germany's economic allies during the war, and will continue to be markets of supply and demand for Germany.



## CHAPTER III

### GERMANY'S PEACE PLANS DURING WAR

**Open and Underhand Methods—Transition Economy—Institutions for Industrial Concentration—Raw Materials and Shipping—Foreign Exchange—Germany's Continued Power in Foreign Countries—Organisation Needed to Meet Organisation—German Methods Differ in Different Countries.**

GERMANY'S preparations for peace fell into two classes, those that were more or less open and straightforward, and those that were distinctly underhand. It is the existence of the latter that makes it imperative for American business men to plan energetic measures for trade protection. But, first of all, the open and above-board, preparations—"above-board" being, of course, something of a euphemism, for Germans, in all their national and State-promoted activities had been getting far away from old-time fair-play methods.

As in time of peace Germany had made ready for the immediate turn-over of the whole national existence to the war footing, so in time of war she was diligently preparing for the passage from the "economy of war" to the "economy of peace." An Imperial Commission for the "transition establishment"—the *Uebergangswirtschaft*—was appointed by the Federal Council of the Empire.

The President of the Commission and its members

were, according to a decree of the Federal Council, to "have the right to examine the correspondence, the registers and the books of the commercial houses and to visit their warehouses."

Herr Stahmer, one of the most noted of the Hamburg men, was appointed President of the Commission. He had been closely associated with the German military administration from the beginning of the war and had held the important position of civil governor of Antwerp. Herr Stahmer is also known as the guiding spirit in laying the plans for the "economic penetration" of the United States. His two chief lieutenants were the late Albert Ballin and Herr Huldermann, also of the Hamburg-American Steamship Company. Huldermann was his chief mouthpiece.

Germany made no mistake about the difficulty of the problems that the transition would involve. The worldwide antipathy which German atrocities aroused was regarded as one of the merely minor obstacles to be faced. The revival of shipping, the providing of the raw materials for industry, the quick "economic penetration" of foreign markets were the questions they considered of prime importance. It is significant that the Germans viewed the whole matter in terms of competition and that the Commission's work was popularly referred to as preparation for the "trade war," the other war which was to begin when the war of blood ended.

Before the Imperial Commission was established, an "institution for industrial concentration" was organised by "private individuals," under government auspices, for the purpose, as it was stated at the time, of giving "better support in the future to competition with foreign countries, whether this military war is to be followed



by an economic war, or whether the needs of commerce and of life will impose their pacific exigencies on those peoples who are now our enemies." This was the beginning of the intensive syndicalisation of German industries. The founding of the Imperial Commission represented the formal taking over by the Government of the work that was being attempted by this "private institution." The explanation given was that, as the State had been regulating to a constantly greater extent, not merely the providing and distribution of foodstuffs, but also imports and exports and prices and rations of products of all kinds to merchants and manufacturers, it was natural that the State should prepare to intervene in after-war commerce by means of an organisation that should gather and distribute commodities and should regulate traffic of all kinds and direct the principal activities of industry and commerce.

The first problem for the Imperial Commission was stated to be that involved in the procuring of raw materials, for the industries of Germany as well as for the sustenance of her people, and shipping to carry them. German trade publications were quick to point out objections to the State assuming this rôle, on the ground that it would interfere with the freedom of commerce. Herr Huldermann swept aside these objections. The State knew where it would get the raw materials, and the Commission, it was stated, would co-ordinate the exigencies of industry with the shortage of tonnage, and would obviate the confusion which private enterprise would involve.

The Commission was to lay down the rules according to which German industries were to obtain their supplies from abroad. To this end the leading firms engaged

before the war in the importation of raw materials were to be brought into a single organisation. It was stated in the German press that branches of this organisation had been established in Hamburg, Bremen and Dantzig. From this organisation were excluded the firms that "are not financially strong or that are suspected of being inclined to indulge in speculation or profiteering." Here many small importing houses raised their voice in protest at being excluded from the organisation, which they denounced as a scheme on the part of the big firms to freeze them out and to establish a great trade monopoly, but only passing attention was given to their protests.

The mode of regulating the carrying of freight from abroad to German ports, rapidly and at lower cost, was to be determined by putting the German steamship companies directly under the control of the Commission and by making all foreign carriers deal directly with it. All arrivals and departures of ships for an indefinite period after the war were to be under Government control.

Freight rates were to be fixed by the Commission, but German manufacturers received notice that, as the shipping industry had suffered severely during the war, rates would have to be fixed to allow the shipping companies to recoup some of the past losses, especially in carrying products for the non-essential industries. The distribution of imported products among the various industries would, it was admitted, present some difficulty, and the Commission, it was announced, would eliminate all bickerings by preparing a schedule showing the average importation by the various firms in the years preceding the war and thereby regulating allotments. This was regarded as a sop to the small firms which had been pro-



testing, but it was understood that it did not allay their alarm.

Another problem which the Commission undertook to handle was foreign exchange. With imports at the maximum for a period after the war and exports at a minimum, it was foreseen that German funds would need support. Various expedients were to be resorted to and it was intimated that all foreign securities in the hands of German subjects would be seized to make payments abroad.

Later on the work of the Commission was taken over by the newly formed Ministry of Economics.

To meet the German peril, as has been said, it will be necessary for American business to acquire an accurate idea of the seriousness of that peril. This will be done only by learning its ramifications, its world-wide dissemination, its remarkable organisation, and its insidious working methods.

When the Allies began to call last year on the 100,000,000 bushels of wheat in Argentina and the movement of the grain from the interior to the sea coast was started, on a word of order from Germany railroad tracks were dynamited, cars were burned and strikes effectively interfered with the handling of the grain. This was in Argentina, thousands of miles away from supposedly harassed, hungry, war-weary Germany.

In England, German agents were accidentally surprised in the act of securing valuable coal mines, which, if the transfer had been effected and gone through undiscovered, would have been working for Germany even during the course of the war. England did not succeed in surprising the German agent, Hugo Schmidt, in the act of supplying Germany during the war with jute, wool

and cotton, largely from British territories and using London banks in the process. It was the United States that made the discovery in this case, and it was only the indiscretion of the German agent, in keeping records of the transactions in his New York Office, that permitted the facts to become known.

During three years of the war Germany was drawing great supplies of metals from the United States, while all the time we were speculating on the exhaustion of her metal resources and on the "substitutes" she must be using for copper and other necessary metals. We now know also that large quantities of materials were being stored up in this country for shipment to Germany after the war.

Is there any reason to believe that the Germans will spontaneously abandon their already successful system of spreading the prestige of Germany in world markets at the expense of the United States, of taking orders abroad, then buying the merchandise in the United States, carrying it to Germany and reshipping it to the foreign purchaser as German wares, and thus paving the way, through high-class products, for the later introduction of cheap, inferior German manufactures?

What will America do to meet any such organised "trade war" as Germany had planned? Utterly repugnant would be a counter-organisation for trade war. Whatever the outcome might be, there are certain paths on which Americans could not engage. But the advantages which can accrue from an organisation of the German kind should compel American business men to take measures jointly for their own protection. Sooner or later indeed we may expect that American business will organise to forestall the application of German methods.



They will need agents to ferret out the whole iniquitous system.

Germany's secret trade methods were different in Italy from what they were in France or Denmark or in Argentina, and different in those countries from what they were in the United States or China or Australia. The organisation which American business will have to establish to cope with the German type of trade evil will, therefore, have to face differing problems in the various countries and will necessarily be conceived on a broad and comprehensive scale.

## CHAPTER IV

### HOW COUNTRIES WERE EXPLOITED

**Denmark's Free Port—Germans Used It to American Detriment—How the Dye Combine Imposed Itself on France—Italy Still in Danger of German Clutch—Turkey and Russia under German Economic Domination—Rights Abroad Which American Business Has Now Acquired by Actual Purchase.**

COPENHAGEN has a free port, which proved to be an important source of revenue for Denmark, but a far greater benefit for Germany. The parked-off area contains a number of "lagers" or warehouses. Ships' cargoes and shipments in bulk from America and other distant countries, destined in whole or part for lands other than Denmark, are unloaded at the free port, deposited in the lagers and there divided up for distribution and reshipment to Sweden, Norway, Russia, Germany, the Balkans and other destinations.

The lagers where the merchandise is housed while awaiting reshipment have been for the most part controlled by Germans—by German firms or firms employing German agents, or Scandinavian concerns with German affiliations. When the machines and manufactured articles from America leave the free-port lagers and are put aboard German steamers and those of other nationality for conveyance toward the country of consignment, they frequently have suffered considerable transforma-



tion. Instances have been verified where German inscriptions have replaced those originally appearing on the products, and the credit that belonged to America and other countries of origin was greatly diminished, if not entirely lost.

Denmark cannot probably be held to account for what goes on in the free-port lagers, and it can hardly be considered a matter for Government representations. American business men must take their own measures for the protection of their rights. An obvious step for them to take is the appointment of agents to watch the operations at the free port, to trace merchandise from the home waters to final destination and see whether it is as truly American at the end of the voyage as it was at the start, or whether it has not changed its nationality at the Danish way-station.

Each foreign country has its individual German problem directly interesting American trade. The great development of the dye industry in the United States has brought with it expressions of misgiving regarding its future when it is faced once more with German competition. A glance at some of the German methods with regard to dye competition may prove instructive.

In France the domestic dye industry was of considerable importance. The leading dye plants were in the neighborhood of Saint Denis, the controlling companies having their headquarters in Paris. A day came when agents of the German dye combine approached the French manufacturers with a proposition. "We are developing our foreign trade," they said in substance, "and we are in a position to come into the French market in a big way. But we Germans are frank and loyal; we desire to be fair, to be even generous. If you will make

an agreement with us, we shall be glad to leave you two-thirds of the French market and to take only one-third of it for ourselves. Of course if you do not make the agreement, we cannot promise to keep our hands off the other two-thirds also." The agreement was made. The amiable old French Senator who was one of the leaders of the industry in France was in revolt, but he was voted down.

So the Germans went into the French market in their frank and simple manner and loyally they notified the Frenchmen, in accordance with the agreement, of the names of the French dye consumers to whom they were selling and the quantities sold—that is loyally for the first two or three months. Then they ceased to be heard from, and the Frenchmen began to learn that German dyes were being sold in France in quantities that obviously were passing the one-third limit set by the agreement. Remonstrances were unheeded, but when, at the end of the year, the German dye combine held its meeting, accounts were compared, and it was shown that considerably more than one-third of the French demand had been supplied by the Germans, the latter again were frank and loyal. "It is true," they said, "that we exceeded our allotted share; but what does it matter? We shall allow to you French dye manufacturers the profits on the part that exceeded one-third. You are thus actually better off than if you did the business yourselves. You are getting the benefit of two-thirds of the trade without having to do two-thirds of the business." And the Germans continued to encroach in a constantly greater way on the French share of the trade in France.

The three years' agreement had not run out when the war began, and one can only surmise whether if there



had been no war, the Germans would have renewed the agreement or would have presented a new and less favorable proposition to the Frenchmen. It should not be forgotten that materials for the dye industry are materials also for the manufacture of explosives, and that the less dye business the French manufacturers were induced to do, the less prepared would France be to convert dye factories into explosive plants. It would be superfluous to point out to the dye manufacturers of this country and to its business men generally the lesson of this incident, regarding which all parties concerned maintained a discreet silence, or the importance of their taking action to unearth and circumvent the German dye combine.

Italy as a foreign market is in danger of coming again under the economic clutch of Germany, if her prayers for co-operation from America and from the Allies are not hearkened to. The heavy German investment in Italy has not by any means been entirely confiscated. As in our own country, much of it has been hard to get at. Transfers of property and of businesses executed in the nine months between the beginning of the European war and Italy's entry into it, as well as the claims of Italian citizenship by leading "German" bankers and of Swiss paternity for German companies operating in Italy has left German commercial property in Italy to a large extent intact. For this reason Italian merchants and manufacturers continue to be anxious over the future of the nation's commerce. What adds to their concern is the fact that the populace of Italy view the German with relative indifference. They hated Austria, their national enemy, but they can be stirred to no special dislike against Germany. To the Italian common people the German

is *rozzo*, clumsy and coarse, whatever his mental qualifications may be. The opposite of *rozzo* is *fino*, intellectually sharp and cunning. The Italian can hate, or fear, or respect a person who is *fino*, but can feel little more than contempt for one he regards as *rozzo*. The Italian masses loathed the Austrians, and even in times of peace no feast day celebration in an Italian city was complete without a demonstration of hostility before the Austrian consulate, but, despite the revelations regarding Germany's trade control in Italy, all efforts have availed little to create a patriotic sentiment of hostility against the German commercial invader, whom they continue to regard as merely *rozzo*. Italy's merchants are therefore under the apprehension that the conclusion of peace may see the German readily resume his former place in the popular estimation and take up his commercial activities in Italy with greatly intensified vigor.

It was only a short time before the European war that the Standard Oil Company of New York had completed long-drawn-out negotiations with the Government of Turkey and had obtained dock and wharfage franchises at Constantinople and made elaborate plans in the interests of its Rumanian oil properties and of newly acquired territory, believed to be oil-bearing, in Bulgaria. The transactions were kept as confidential as possible but presently all the German powers on the ground began war on the American corporation. The local representative of the Deutsche Bank, the chief fiscal agent of the Rumanian oil properties financed in Germany, and the late Baron Hans von Wangenheim, the worthy predecessor of Count von Bernstorff as German Ambassador at Constantinople, brought their bludgeons to bear



and the Standard Oil Company was ousted bag and baggage. The American corporation saw no recourse but to accept the situation philosophically and keep quiet.

Russia, a land of immense natural resources, hitherto barely scratched, was regarded by the enterprising merchants in every country as a land of promise commercially. But Russia, even before the war, was gradually being enveloped by the grip of the German trader-diplomat. Most of the manufacturing industries in Russia of a modern kind were directed by Germans, if not actually controlled by them, to the point that, wherever German competition made it possible, no other foreign machinery manufacturer or exporter of raw materials had much chance against the German. Other countries were loaning the money to Russia which the Germans were using in the industries, not primarily for the benefit of Russia, but for their own benefit and that of the Fatherland. American producers of manufacturing machinery in those days were mystified over the difficulties they encountered in getting into the Russian market, and when they began to surmise that the German factory heads were the chief obstacle, a ruse was adopted to throw them off the scent. All at once the German superintendents and managers became "Poles," friends of America, willing to further American trade. The ridiculous deception allowed the Germans to hoodwink many foreign exporters.

The enumeration would be long, even tedious, of the trade tactics of Germany in the various European countries to a participation in whose commerce the United States will after the war have acquired—by actual purchase—an increased right. The aim in entering into

these details is to indicate some of the less-known practices so that American business men may be aroused to the urgency of taking combined action for the safeguarding of American trade.



## CHAPTER V

### THE GERMAN CARTEL

**The Science of Industrial Combination—The Cartel Developed by Evolution—Government Enters as Partner—Dumping Carried Out with All the Power of the State—When German Locomotives Were Imposed on Italy and France—Foreign Imitations of American Machinery—Agriculture Also Preyed Upon.**

GERMANS have boasted that in the matter of scientific organisation for commerce the whole world would sooner or later follow the German example. When other nations derided the merchandise with the more or less opprobrious label "Made in Germany," the Germans, though they did not take it with good grace, went ahead with their carefully planned campaign and profited to the full of the opportunity which the negligence of others, the consequence of self-satisfied superiority, furnished them to disregard the generally accepted international rules of equity and fair dealing. They extended their commercial sway into all markets; their system was encircling the globe. The German employé was in the counting-houses of Paris, London and New York and in the commercial bureaus of every leading city in the world.

We had rather stringent laws regulating the conduct of business by our own people but we overlooked the need of making laws to prevent Germany from pursuing her bandit operations in fields of commerce in which

we had eminent domain or at least legitimate interests. We were long in awakening to the tremendous physical power which Germany developed in a half-century of organising to crush the nations of the world by brute force. We are very far even to-day from realising the powerful economic hold which Germany in the decades during which we were slighting her efforts had fastened on the world's markets.

With profound repugnance we were forced to fight back at Germany with liquid fire and poison gas. To fight back in the realm of commerce are we going to be forced to abandon our traditions of individual freedom in trade, to submit to disciplining and dragooning in the handling of our commerce? Our banking systems, our transportation, our industries, our whole scheme of commerce and of trade development are interested in the answer. Railways, shipping, banking, materials and manufactures were mobilised in the United States for the war. Will they have to be mobilised again if Germany is restored to her commercial position, or is allowed to continue the process which had made of her a world menace no less in commerce than in military might? Will it be possible for the free peoples to put a stop to the methods that gave her ascendancy, or will they in self-protection have to adopt the German system of concentrations and of trade espionage? The facts regarding the German organisation of industry and commerce demand careful investigation, quite irrespective of the troubles that may temporarily beset the German state.

Frequent mention is made of German cartels and monopolies and many business men in America have come to regard them as the bugbear, the root of the German cancer in the commerce of our time. Only a hazy no-



tion, however, of what the German cartels and monopolies are, is generally to be found, and this very vagueness of knowledge seems to add to the apprehension with which the subject is viewed.

One reason for confusion is due to the fact that the cartel is not a stable and fixed entity or conception. There may be several cartels in one and the same industry, and each industry handles its cartels in accordance with its own peculiarities and requirements, so that cartels may be as varied as the industries to which they apply. Another source of confusion lies in the fact that there are many forms of industrial and commercial combination in Germany's economic life, and that a particular kind of combination is alluded to in Germany by different names.

The monopoly, of course, implies exclusive State control. The petroleum monopoly plan of half a dozen years ago, the most notorious of the German monopolies, because it was conceived as a treacherous violation of American rights and interests, reserved to the state the sole right to sell petroleum and its products, although the financing of the sales monopoly was entrusted to a "consortium" of German industrial banks. A "consortium," it need hardly be said, is a union of banks or of industrial, commercial or agricultural concerns, to underwrite or to handle a given enterprise. "Community of interest" agreements and trusts, as we know them in the United States, are existent in Germany, as well as combines in which the State itself participates, whether as partner or controller. But different from all of these is the cartel. And the cartel—known differently as "Kartell," "Syndikat," "Verband"—has come through a process of evolution and had become a very different

thing from what it started out to be in the middle of the last century.

The potash syndicate of fifty years ago, like the metal syndicates of that period, when the German states were not yet a factor in world commerce, was merely a union of potash producers for the purpose of fixing prices, limiting production and ascribing territory to the members of the syndicate. The potash syndicate of recent years, as the American fertiliser companies know by bitter experience, was a very different kind of cartel, as it had at its head the German State, and as its aims were not commercial alone, but political to a high degree. It was in that respect typical of the modern German cartel, as also in the fact that no commercial contracts into which it entered were sacred or binding beyond the rule of expediency, since it always considered itself free to break faith on the pretext of the State's monopolistic rights and the latter's prerogative of violating bargains. German good faith—"Deutsche Treue"—went by the board when the German State entered as a partner into important German industries.

In the early days the cartels had no easy time of it. They were denounced for stifling competition and gouging the consumer by artificially keeping up prices. The infant industries pleaded for a chance to grow. The cartels, they claimed, were "children of necessity." The German States variously tolerated them, legislated against them, or half-heartedly encouraged them. When Prussia had successfully consummated her atrocious plots against Denmark, Austria and France, and the Empire was formed and Germany started on her great career as an industrial State, the cartels entered on a new phase. So rapid was the growth of the industries and so de-



terminated was the German policy of industrial expansion, irrespective of the temporary question of supply and demand, that means had to be found to take care of the German surplus production at times when it had far exceeded available facilities for its absorption. It was then that the German policy of dumping came into being.

The cartel was the parent of dumping—this English word has now been adopted into all the languages of Europe to indicate specifically the German policy of organised underselling in foreign markets. A bill was recently introduced in the Italian Chamber of Deputies with the short title “Antidumping,” a word which is self-explanatory in every European country to-day. The German cartel of this period was a combine within an industry to safeguard the home market by throwing excess production on foreign markets. In some cases the cartel had a selling organisation, a “Verkaufs-Bureau,” which undertook the disposal of the surplus product, and in others the members of the cartel individually sold their own product in the territory allotted to them, at the price fixed and in the quantity predetermined. As there was no general inclination to rely on the good faith of the individual members, arrangements were made for spying on their operations and fines and penalties were fixed for violations of the prescriptions of the cartel.

Sometimes the spies and “inspectors” were bribed and the seller found it to his financial advantage to pay the fines and sell more than his share or at higher prices than those fixed, and then the cartel levied heavy penalties, or invoked the power of the State, or saw itself disorganised or disrupted. Honest adherence to the rules of the cartel was not always in evidence, but German discipline usually prevailed and, while occasionally a big

concern like Krupps sidestepped the cartels, or a man like August Thyssen broke away and became a coal, iron, railway and shipping syndicate all in himself, the general run of the German producers of the elementary products of the kind suitable for syndication were kept in line and the cartels grew in importance with the industrial growth of Germany.

The State was not yet wholly with them, for the Agrarians, an integral part of the autocratic government, were still resentful of all special favors for the industrial party. The Military Party, however, finally were brought around to the view that the spread of German dominion over the world depended no less on economic penetration abroad than on victories by Germany's armies in the field, and from that time on there was assured to the cartels all the weight of government backing. The cartel was revealing itself as a potent weapon for commercial expansion in a way that had not been forecast for it in earlier days. The trade colleges and the commercial universities were working out the Great General Staff problems for the commercial campaigns for conquest of the world's markets. The cartel loomed up as among the most efficient means of giving assured results to this end—the cartel renovated, improved, modernised. It offered the means of crushing ruthlessly, relentlessly, brutally, the competition of rival commercial powers.

The old cartel, whose members represented only a section of an industry, syndicating only a limited part of their own product, was dead. The new cartel was as different from it as the power vehicle of to-day from the ox-waggon of a past century—an organisation with a complex intertwining of banks and of industries co-



related with the industry forming the object of the Verband, and with the State and its controlled organisms taking a direct and active interest.

A proving ground was at hand for the theories of the German professors of commercial science. Italy, a new nation without a developed industrial and commercial life, was a fallow field for the Germans to try out their schemes for commercial conquest. And the schemes worked. The German cartels crushed all opposition. Their approach to the market which they decided to invade was methodical and thoroughly organised.

No sacrifice in underselling was considered too great, no labor too arduous once the task was undertaken of securing exclusive position in Italy for a given series of German products. The task was all the easier because the risks and incidental losses fell only in small measure on the cartel interested in the particular case. Suppose the German locomotive industry resolved to overwhelm American, British and other competition. The cartels in that industry decided on the prices, considerably below cost, that would certainly get the business, and the whole organisation of co-ordinated cartels was notified. Those of coal, steel, iron and the other industries that supplied materials to the locomotive factories, were instructed to make to the latter a reduction allowance on the materials entering into the locomotives for Italy proportionate to the reduction of price which it had been necessary to make to win the Italian market. The arrangements for the allowance would be arranged by the Abrechnungstelle, a special accounting bureau for the cartels. The German banks would finance the transaction, the German ambassador in Rome would attend to the introductions, the German Government would carry all shipments free on

the State railways and would pay on the exported locomotives a special export bounty far in excess of the two marks per 100 kilograms which it allowed on manufactured metal products made in Germany and sent abroad.

The locomotive transaction was worked by the Germans even in France. In the whole operation it was not so much the locomotive Verband that was carrying through a deal; it was the German government that was imposing German locomotives on foreign markets—with all urbanity of method, of course, but with the exercise of all its influence and by the use of all the resources at its command.

The whole German State was taxed to further the economic invasion of foreign markets through dumping by the cartels. The home market for the product which was being dumped was closed and carefully protected against the outsider, and the cartel interested was authorised to raise temporarily its home prices. When German locomotives were being sold below cost in Spain the State agreed to an increase in price on a corresponding number of locomotives to be delivered to the German railroads.

German industrial machinery and machine tools are almost in their entirety an imitation of American machines and tools, frequently in violation of American patent rights, and almost invariably they are a very inferior product, yet Germany before the war was selling to France more than five times as much—in money value—machinery and machine tools as was the United States.

Dumping extended to agricultural products as well as to manufactures. Germany with a grain production insufficient for her own requirements, was actually a heavy exporter of grain and flour. The German importer of grain received from his government a certificate, an



"Einfuhrschein," which represented the duty he had paid on the grain he had imported, which duty would be remitted in case he exported grain or cereals that would bear import duties of equal value if imported. The certificates were transferable and negotiable and were traded in on the grain and produce exchanges of Germany. The difference between prices on the home market, less the import duty, and prices on the foreign market, often furnished a basis for profitable transactions, but the chief value of the system was that it penalised the foreign source of supply to Germany and permitted the Germans to assume a measure of control on the foreign product, to the extent that Germany controlled several of the markets of northern Europe in flour made from wheat grown in Russia.

## CHAPTER VI

### THE "CHAIN" METHOD OF EXPANSION

**Concentration of Industries Facilitated Expansion Abroad—Germany Controlled Foreign Enterprises through a Minority Interest—Great Corporations Started a "Chain" Which Constantly Lengthened—How Local Owners Were Ousted from Own Properties—The "Chain" in Italy, Spain, France and Other Countries.**

BEFORE the war the great German corporations had not aimed at eliminating competition entirely. In the neighborhood of Frankfort-on-Main, of Mannheim, of Ludwigshaven, the big members of the dye-stuffs combine, the Farbewerke Hoechst, Leopold Casella, the Badische Gesellschaft, allowed a number of small plants to flourish unmolested, handling specialties in aniline products which were not important enough to bother with, or working under new processes that had not been developed to the point where the big concerns desired to take them over. Small independent companies were also engaged in shipping on the Rhine and other rivers and canals and in the Baltic, and there were also small firms in the coal, steel and iron and electric industries, in the import and export business, and even in businesses subsidiary to arms and munitions production.

At least a pretence of encouraging competition was in recent years the policy of the German State, which in



this regard had passed through many stages of relationship to the combines and cartels or syndicates and the public who dealt with them. In recent years it was playing the double part of protector of the oppressed and at the same time patron and partner in the great oppressive combinations.

The war, to a large extent, swept aside the policy of pretence, for the State ceased to act merely as a partner in the combinations. It undertook their direction; it forced concentration by closing smaller factories and transferring their machinery and their operatives to the larger plants.

Into the lap of the great industrial corporations were poured the fat contracts, the opportunities for huge profits, power, influence, independence of restrictive legislation. The aristocrats of the sword and of the land had united with the aristocrats of industry. Leaders of the great Reichstag parties, Militarists, National Liberals, Agrarians, Centrists, Social Democrats, were part and parcel of the great combines, industrial, commercial and financial. Krupps, Bayer, the General Electric, Siemens-Schuckert, the Duisberg Maschinenfabrik, the Daimler Motor Company, the Deutsche Waffen-und-Munitionsfabrik, the Deutsche Bank, the Disconto Gesellschaft, the Hamburg-American and the North German Lloyd Lines, and several others were all interlocked and participated in by those governing Germany. All business worth having was theirs for the taking. Their power over the resources and opportunities of the German Empire was unlimited.

In the great industrial combine was largely vested the civil government of the German people for the purposes of the war. Among the members of the combine were

subdivided important functions other than those for which their corporations more specifically existed—the direction and control of the press, the acquisition and distribution of foodstuffs and other necessities, the handling of raw materials, the mobilisation of labor, the fixing of wages, the decisions on taxations and financial arrangements generally.

Is this mighty organisation of concentrated administrative and industrial power to be continued after the war? It was planned also for after-war purposes. What a weapon it would be when the other nations had relaxed, and their war combinations were dissolved.

How influential the large German industrial and commercial combines are in the world's commerce is only inadequately gauged by consideration either of their capitalisation or of the business of the plants which are conducted under their name. German business has been successfully concealed from the world through a system of co-ordination, of subsidiary plants and companies, which has come to be described by economists as the "chain" method. Furthermore, the Germans cleverly worked out a way of obtaining control of important corporations in other countries without having a majority ownership of them. Thus in the Oriental Railway Bank, the head office of which is in Switzerland, the board of directors comprised eight Germans, five Swiss, one Frenchman, one Belgian and one Austrian. This important financial institution, which was generally classed as being Swiss and not German, was entirely controlled by the Germans and was conducted in the interests of Germany. In like manner industrial corporations, like the Aluminum Company of Neuhausen, which had on its board eight Germans, six Swiss and one Austrian, might really be con-



sidered German corporations, although Switzerland and other countries take the nominal credit for their existence.

The German "chain" method applied principally to corporations that were started from Germany itself. The parent corporation undertook the establishment of a branch, say, in Italy or in Russia. Through German banks it contributed part of the capital, the rest being obtained from local sources, and this branch in turn founded other branches in the same way, the Germans controlling the entire "chain," although the business was conducted mainly with other people's money. Where a "chain" had been established competing companies of local capitalisation and management were often forced under the German control. By acquiring blocks of stock of these companies in the open market the Germans gained a right to a share in the management and then, through pressure from affiliated banks, they generally succeeded in taking over the entire direction. As they usually supplied also the latest engineering principles and technical skill and showed the ability to make business increasingly profitable, they readily entrenched themselves in possession.

Signor Negri, founder and president of the important Italian electrical establishment which bears his name, told a lamentable story before a court martial in Genoa, describing how the Germans secretly bought into his company, gradually Germanized it, and finally ousted him from any share in the control, although he continued to be a large stockholder. The German corporation which had turned this trick was the German General Electric, the Allgemeine Electricitäts Gesellschaft. This corporation began by establishing in Zurich a "Bank for Elec-

trical Enterprises" which is commonly referred to as the "Elektro Bank" of Zurich. It has been proved that this bank was owned by the German General Electric and the Deutsche Bank. It founded in Genoa the Officine Elettiche Genovesi, the Genoese Electric Plant, which company in turn founded the Genoa Electric Tramway Union, the Electric Power Plant of Spezzia, the Adriatic Electric Company, which serves the eastern Italian coast from Friuli to Bari, the Electric Company of Massa Carrara and the "Company for the Development of Electric Enterprises in Italy."

The same German General Electric Company established a branch company in Barcelona, which in turn created ten companies in various parts of Spain, and soon had control of nearly three-fourths of the electric power of that country. It also bought into some of the existing light and power plants of France to the extent that in some French cities, including such important shipping centres as Nantes and Rouen, it had obtained control of the local electric plants.

The managing directors, engineers, superintendents, cashiers, auditors of all these companies have been Germans, frequently disguised as "Swiss" or "Alsations." In name the subsidiary companies are Italian, Spanish, French and so on. For legal purposes they are in last resort Swiss, since the control of their stock is owned by a bank with "social domicile" in Switzerland. It is nobody's business in international law that this Swiss bank is really owned in Germany.

Similarly for the important German combine of electrical and other machinery manufacturers whose principal name is Siemens-Schuckert. This concern founded, as its chief controlling branch for Italy, the Società Italiana



di Eletticità Siemens-Schuckert of Milan, which rapidly established subsidiary branches in the cities of Genoa, Naples, Florence, Palermo, Alessandria, Pisa and Perugia. Before Italy declared war on Germany all business with these branches was conducted directly from Berlin. Afterwards the relation was indirect, through a controlled bank in Switzerland. All correspondence, all documents and all reports were made out in the German language. The trail of the Siemens-Schuckert may be followed into every corner of the globe. The S. S. Compañia Española de Electricidad and the S. S. de La Plata hide the obtrusive Teuton name under initials. There are more or less disguised Siemens-Schuckert companies in Belgium, Denmark, Russia, Portugal; in the cities of Bucharest, Cairo, Chemulpo, Han-kow, and in innumerable other places.

The foreign business of the dye and chemical industries of Germany was propagated in the same insidious manner. The Badische company owned the French factory at Neuville-sur-Saône, where the special dye was made for the red trousers of the French soldiers and from which a newspaper campaign was conducted against the abolition of the red trousers. Bayer had a plant at Flers in the Nord department; the Farbewerke Hoechst controlled the Parisian Company of Creil, while Casella was owner of the Lyons Coloring Materials Factory. In their branches in France the Germans carefully avoided all German names and chose French titles that had a distinctly patriotic sound.

In most foreign countries the German industrial company had near it a bank, also under German control, although usually the German interests in it did not represent a majority of the stock, and the funds with which

the bank did business were only in small part German. The largest commercial bank in Italy was German.

The German "chain" method applied not merely to the co-ordination of a series of branch establishments under a single industry; it was turned to account also by combinations of German industries to establish subsidiary groups of industries abroad. It was by this use of the "chain" that Italy's most important port, Genoa, was Germanised. German companies penetrated the industries, the commerce and the navigation to the extent that the Pan-Germanists openly boasted that Genoa was the great German port of the Mediterranean, as Trieste was on the Adriatic and as Rotterdam was at the mouth of the Rhine and as Antwerp was for the Channel. It was through the "chain" that Germany made Italy, Belgium and Russia her economic dependencies, and in this way also Germany was becoming the chief European market for many essential products. Thyssen, the coal and iron magnate, was working the "chain" as an individual, when he opened iron mines in Normandy and undertook to assume control of the coal, the railways, the shipping and other services of the French coast city of Caen.



## CHAPTER VII

### CONCEALING ECONOMIC STRENGTH

**The Foreign Visitor's Experience at Krupps—Keep-Out Signs Elaborately Courteous—German Industries Under Careful Watch—Difference of American Methods—Development of Central Europe Carried on Quietly—Important River and Canal Works and Shipbuilding.**

WHOEVER approached, in peace times, the outer precincts of the great Krupp Works at Essen soon began to be intimidated—if at all susceptible—by the “no admission” signs. Huge placards bore the words “Eintritt Verboten.” Behind this front line was a “Strengst Verboten” zone, and further inward a frowning barrier of “Polizeilich Verboten” signs. The degrees of comparison are exhausted: forbidden, most strongly forbidden, forbidden by the police.

In the most advanced office behind these lines the eye was arrested by a large sign: “Absolutely no admission to any part of the works.” In a second building, to which the visitor was conducted, the most conspicuous object was the sign on the wall: “Visitors will please believe that it cannot be conceded to them to enter any part of the works.” The director whom the visitor sought had his office in a third building, and on the wall in the waiting room a large framed tablet, hand-wrought with red, blue and gold illumination, made announcement to this effect: “We would gladly show our friends through

the works. But please do not ask to visit them. If you do, you will put us to the unpleasant necessity of telling you that this is absolutely impossible. We beg of you not to subject us to this embarrassment."

And the signs meant what they said. The visitor might be a prospective purchaser of field guns for a Central American republic and have satisfactory credentials. He will be shown the Krupp exhibit of remote model 77-millimetre guns that are for sale to Central American republics, but will be informed with gravity and courtesy that into no part of the Werke, the factory proper, can he be allowed to put a foot without a special permit issued by the board of directors convened in meeting, and that might not be obtainable for weeks or even months.

At Mühlheim on the Rhine there is an important steel and brass plant which one may have reason to visit. Fewer defensive entanglements bar the way to the general manager's outer office, but once arrived there the visitor is confronted with a wall sign which says, "It would afford us pleasure to show our friends and patrons through the works, but unfortunately this cannot be done. Will you be so good as to spare us the mortification of saying this to you verbally, by abstaining from making the request?" Here also the rule is adamant.

You go to Düsseldorf, to Dortmund, to other centres in the beautiful Westphalian country, over wooded hills, along smiling valleys, at times in a region that recalls the Naugatuck Valley in Connecticut, and again in country districts that have a charm all their own, to the peaceful old-world town of Altena, on a river at the bottom of steep hills, to Hohen-Limburg—for all the world like a new and prosperous little American town—to Hagen, to Hamm, to a score of out-of-the-way villages, at all of



which, to your growing surprise, you find nests of factories; furnaces, steel and iron plants; brass, tin, and nickel works, wire and nail plants and establishments for finished metal products of an astonishing variety and modernity. And everywhere, however close you may get to the proprietors, you find a variant of the exaggeratedly polite keep-out sign—"We would gladly show you the plant, but please don't ask us, because it will hurt us so much to have to refuse."

And everywhere you will be conscious of an all-seeing eye—not obtrusively, for no one will molest you. Neither will any one make friends with you. If you happen inadvertently to speak in the street to a person who works in a factory, you may see signs of alarm promptly registered, and it is no surprise to you when you learn that all the employés of all the factories scattered throughout this whole region are under more or less close supervision. If your reactions are sensitive you become gradually conscious of being within the web of the German spy system over industry at home. If you know how to investigate you become aware that that spy system is of a military kind.

Once in a while a manufacturer in the Westphalia region may open up, to a limited extent and for his own special purposes. Thus on one occasion in one of the small towns above mentioned the senior partner in a high-grade metal plant thought he saw an opportunity to make a large personal gain by cutting into business then handled by Americans. The allurements were great; he became communicative, even confidential. Among the concerns with which he was then doing business was a noted small arms factory in central France—not a great distance from Lyons. He was supplying finished parts

for French rifles and revolvers. He showed documents to prove it. He had taken away the business from American and British firms and he had a way of disguising the origin of the parts. He revealed the information as evidence of good faith. But the whole thing was a dead secret. The manufacturer was afraid to speak aloud. Only in a remote corner would he converse, and then nervously and in whispers.

It is hardly necessary to emphasise descriptively the contrast in this regard between the German way and the way of other leading nations. It will be remembered that the opening of the war in 1914 drew attention to the surprisingly large number of German reservists who were in the United States for the purpose of studying industrial methods—German manufacturers' sons and other relatives and sons of German factory superintendents, over on business ostensibly of more advantage to America than to Germany. For the most part reserve officers or under-officers, they were primed with information about the war and its coming development and certain outcome. Their presence in individual instances was regarded as a mere coincidence and certain manufacturers laughed aside any suggestions of doubt as to the desirability of allowing these German experts the opportunity of familiarising themselves with the intimate details of American manufacturing methods. These Germans were good fellows—a little brusque perhaps—rough diamonds—but they could never begin to compete seriously with American manufacturers if the latter made up their mind. In other countries there was much the same attitude.

Germany, while spying into the business of her competitors, had been carefully conducting her own business under cover. It is well, therefore, to bring into the broad



light of day that which the Germans have been at the greatest pains to conceal. It would be an error for America to remain blind to the facts that constitute Germany still a menace to the world's independence.

The line of demarcation between military and trade warfare is, of course, hard to define. The one merged into the other. Germany planned to win the war in two ways. She might be trounced in the field and still be victorious, if her economic campaign were not set at naught. She had organised to pull victory out of one campaign as out of the other.

She figured that if the worst came to the worst in a military way, she could still be victor, the war might prove to have been well worth while.

Let us look through the eyes of the German leaders at the prospect before Germany. Before the war she was hedged in in a way to stifle her Weltmacht ambitions. Her only outlet was to the north on inland seas. Now she had a chance to become a Mediterranean power, by absorbing German Austria, her territory thus sweeping the centre of Europe from the North and Baltic Seas practically to the Mediterranean and effectively forming a land barrier between her recent foes and the East. Her \$1,000,000,000 investment in Italy's commerce and industries is only partially lost. Her great investments in other countries have also been to a large extent safeguarded, through prudent foresight in putting them under the laws of other countries. Her factories and agencies in neutral countries are ready to pour out products for the world's markets. She has accomplished one of her great war aims in raising a bulwark between herself and Russia. Russia, if she can hereafter develop as

a whole, may be forced to develop eastward as an asiatic power. But Russia can also be made eventually the practical dependency of Germany.

German-Austrian-Hungarian shipping interests met in conference at Leipzig and later at Budapest and laid the plans for the new waterway development. The creation of a mighty network of river and canal lines in conjunction with the Danube is to be the outcome. The project of uniting the Danube with the Rhine by deep water through the Neckar and the Main rivers is well under way. The Elbe, the Oder and even the Vistula and the Dniester are to be joined also to the Danube. Ships of 3,000 tons are to be taken as far as Budapest; 1,000-ton freighters as far as Ratisbon. Seven-hundred-ton boats now reach the upper Danube, but when the new canal connections are completed much larger vessels will be able to reach the North Sea from the Black Sea. The chief freight steamship construction in German shipyards during the war was for Black Sea and inland river service. How can England and Norway hope to compete with Germany in carrying freight from the Black Sea to northern Europe? The present ton-kilometre cost of carrying freight on the Danube is said not to exceed one-quarter cent, and when the canal system and river development is completed it is expected that this figure may be reduced by two-thirds. We hear much about the deterioration of the German railways, but practically nothing about the development of the waterways. Yet they have been of vital importance in enabling Germany to withstand the pressure of her adversaries. She has cut off Russia from western Europe. She hopes to bar out the United States and Great Britain from certain



regions. Already her military economic campaign among the neutrals of Europe in promotion of the "solidarity of Continental interests" against the American and the Englishman is under way.

## CHAPTER VIII

### GERMANY'S BANKING SYSTEM

**Forced Growth of German Banking—Capital Mobilised to Catch Up with Commercially Older Countries—Comparison with English, French and American Systems—How the Six Great Banks Grew—Government Representatives Made Directors—Oil Stock Promotions and Bank Rivalries—The Grossbanken and the Great Industrial Corporations.**

GERMANY'S banking system is the most modern, the most elastic, the most enterprising of any in existence. Unhampered by old traditions of conservatism, it grew along new lines corresponding with the growth of Germany as a State. It made possible Germany's marvellous industrial development and her amazing commercial expansion. Such is the German view.

England's banking system, continued on old-fogy principles, has been a handicap to that country—which otherwise enjoyed extraordinary advantages—in the race among the nations during the last twenty years. France and America—always according to the German view—have to a greater or less extent modelled their systems on that of England.

In these countries the banks of deposit conduct an extremely cautious form of commercial transactions, covering the use of funds with bullion and with short notes backed by unequivocal security, while giving little or no return to the mere depositors whose funds are utilised in



the transactions. The business banks and credit institutions are hardly less conservative, furnishing, confirming or extending credit where credit is already to a degree established and doing nothing for new development. The inventive genius, planning epoch-making innovations, or the business man of superior acumen and energy eager to blaze new trails and conquer new worlds, is left to compete in the open market for funds with the wild-cat promoter promising fabulous rewards for the public's money, which the policy of the deposit banks has failed to draw within their protection.

In Germany, by contrast, the banks are all things to all men—deposit banks to the person wishing to keep his capital liquid, credit banks to the business man, and promotion banks to those seeking capital for new ventures or for greater expansion. The wild-cat promoter can have but meagre pickings where, as in Germany, the deposit banks commonly pay interest to depositors of six or eight per cent a year. Where, as in Germany, the same deposit banks are the great promotion agencies of the State, co-operating with the Government in the united effort to give the most energetic impulse to industry and commerce, to national wealth and well-being, the worries that obsess the progressive business man in countries like England, France and the United States regarding credits and bank assistance cannot arise. And as for the seer, the man with visions, the man with the big ideas and keen judgment, why, in a country like Germany, he is in his seventh heaven.

How would Germany have fared if she had been content to follow the old snail-pace financial method of the countries older than she, commercially speaking; if, lacking capital, she had to create capital progressively to jus-

tify the development of her industries, and if she had to insist on credits being established by her manufacturers and her merchants ahead of commercial expansion?

Germany knew that, if she was to take her rightful place quickly among the leader nations, she must mobilise her capital for intensive use, she must permit her banks to offer real inducements to depositors, she must build factories, create industries, develop credits, exploit the available markets and open new markets for herself and do all these things, not in orderly progression, but at the same time and with the utmost possible energy. To effect this result her banking system must be a national banking system in the truest sense, joining in the risks, aiding those engaged in the other branches of the endeavor, relieving the captains of industry and of commerce of the burden of financial worry. Banking must not remain aloof but must be the handmaiden of industry, transportation, commerce, agriculture, science. Germany's new way allowed her to catch up with those who had a long start over her. It showed her that ultimate supremacy was hers, if only the other nations would go on adhering to their old banking system.

Such is the view of Germany's banking system held, not merely by Germans, but by not a few business men in this and other countries.

The Englishman who knows his side of the business may well concede many of the German claims. And then he may declare, with absolute truth, that Germany's banking system led to the present world war. The wild career of financial development, the reckless multiplying of factories, the feverish piling up of products, the struggle for the markets, had caused among far-sighted men everywhere the gravest apprehensions for the day



when the process of pyramiding would bring its inevitable consequences, when Germany would find herself face to face with the fact that the other nations would resist her violent invasion of their rights, that the *Wirtschaftskrieg* which in her drunken frenzy she had told herself would give her victory and commercial dominion, was leading her to the war of blood. Her pyramid was tottering, her banking bubble was at the bursting point when in the summer of 1914 she decided to invoke the supreme gage for final and permanent success. Huge enterprises had been created with an insufficiency of capital behind them. The German banks were responsible for the economic crime.

The Frenchman might answer that it was from France that Germany learned the elasticity and enterprise of modern banking, that the *Crédit Mobilier*, established in the middle of the last century, was the model of the new bank combining many functions; that banks of the kind had multiplied in France and that Germany, after copying the model, had developed its risky features while neglecting the safeguards that were designed to counteract them.

The American business man need not bother with German criticism of his country's banking institutions. He would not submit to the ignominy which the German system, in practice, involved—the loss of the individual's freedom, the right of the bank to spy into his most intimate affairs, the opportunity which he must put in the bank's hands of blackmailing him and otherwise putting the screws on him for political and other purposes. The American, however, like men in other countries, will realise that Germany, by putting to the concrete test theories that had long been the subject of much specula-

tive discussion, has furnished an object lesson of the most valuable kind.

He will wonder whether the change which Germany's war had forced on our banking methods—a concentration of the nation's financial resources effected toward one sole end, with a liberality of credit for all that tended to the prosecution of the war and a parsimony for all else—may not lead to new methods in our banking policy, an abandonment of some of the old notions of conservatism and aloofness, a union of interest in promoting the great causes of the nation, a closer contact with the people and sympathy with its legitimate desire for greater consideration for the cash it has to protect for the common good, whether as deposits or as investments.

The great German banks came into being simultaneously with the industrialisation of Germany. In 1848 the Schaaffhausen'scher Bankverein of Cologne was organised; in 1851 the Bank für Handel und Industrie (the Darmstädter Bank); in 1856 the Berliner Handels-Gesellschaft and the Mitteldeutsche Creditbank; in 1872 the Dresdner. Banks less well known to-day, private banks and banks of issue and a multitude of institutions of the *Crédit Mobilier* type were also founded in that period, the third quarter of the nineteenth century.

With the development of German industry and commerce the weaker banks were systematically crowded out of existence by the bigger ones. Crises, crashes, panics benefited the big banks. The depositors turned away from the smaller concerns and placed their money for deposit—practically for investment—with the rapidly growing, well-advertised industrial banks. And these big concerns certainly knew how to advertise. They controlled newspapers and periodicals, news and advertising



agencies native and foreign and gained tremendous prestige at home and abroad. But they made no place in the sun for their smaller competitors, and the latter had almost invariably to come to terms. The Deutsche Bank took in fifty other banks, the Dresdner Bank nearly as many, the Disconto more than thirty.

Some of the absorbed banks were wiped out, others continued as branches, still others apparently as autonomous banks, but under the direction of officials appointed by the big bank. The latter paid in stock for outright acquisition, or for control, of the smaller bank, increasing its own capitalisation for the purpose and then increasing the stock of the subsidiary, in order to swap part of it for stock of other small banks to be brought into the fold. Thus, under the prestige of highly advertised names, half a dozen big banks, or rather groups of banks, working a complex game of swapping and kiting, of inflation of values, of creation of "capital," assured to themselves the financial control of the industries and commerce of Germany. More than that; they gained a powerful grip on industry and finance in foreign countries. Sometimes the big groups united among themselves in a banking cartel or in a community of interest agreement for special industrial development or for other reason, or in a Consortium for a particular transaction.

Occasionally in recent years the big groups engaged in rather bitter rivalry among themselves, and bickerings arose when one group seemed to be stealing a march on the others. The Deutsche Bank was a notorious offender in this regard, and was accused of not playing fair. While operating in an Interessen-Gemeinschaft with the Dresdner Bank to get control of the Bergisch-Märkische Bank

of Elberfeld, it had played a shabby trick on the Dresdner and had gobbled up the Bergisch-Märkische Bank with the latter's score of subsidiaries for itself, and had thus won an important measure of financial domination in the great steel and iron and coal industries of Westphalia. This was several years ago, but the transaction had not been forgotten and as, in the years immediately before the war, the Deutsche Bank had carried out some other high-handed acts, the Dresdner planned one grand coup to discomfit its rival. This was no less than the acquisition of the Schaaffhausen Bank, itself one of the big groups. The war came to restore harmony.

The Deutsche had also put through some deals that exasperated the Disconto Gesellschaft. With the latter it had gone into the Roumanian oil fields; but while the Disconto was plodding along quietly, the Deutsche came out with a whirlwind campaign of oil stock promotion. The shares of its Roumanian petroleum companies, capitalised in the millions of dollars, were offered to the confiding public of Germany by the big bank that was understood to have "the Government behind it." Wild-cat promoters of oil stocks we have known and read of in this country were amateurs in the business compared with the great German bank. The public did not have long to wait before the Roumanian oil bubble was punctured and the Deutsche Bank was left in possession of the Roumanian oil fields, costing it nothing, and with the public's money in its coffers. Then there occurred a diversion. The Petroleum Sales Monopoly—the main purpose of which was the confiscation of American property and rights in Germany and in contiguous countries—was announced, and the Deutsche Bank was to have the leading part in financing the Monopoly.



"The bankers of Germany will not stand for war." How familiar that phrase was before the war began. When the wise and the far-sighted used to tell us that Germany was planning to spring a war on the whole civilised world, the German agents were always there to assure us that war could not be made without the bankers, and that the German bankers would not tolerate it. How cynical that assurance was, when the "bankers" in control of the financial institutions of Germany were neither more nor less than docile appointees of the Government and tools of the Military Party. The old-time bankers of the country might not have stood for a war of this kind, but the old-time bankers were long out of the way, as far as having the chief voice in deciding the financial policy of the Empire. They had either been absorbed with their banks, or they had been reduced to a position of impotence. It was clearly with a view to the war that the German Government had not merely tolerated, but aided and abetted, the formation of the few powerful groups dominating the banking situation in the Empire and, incidentally, had permitted such happenings as the Roumanian oil stocks swindle by the Deutsche Bank, on the ground presumably that the common people's money might not otherwise be easily reached by the Government.

The old-time bankers despised and distrusted the newcomers whom the Government had placed at the head of the powerful groups of banks, men who had no affiliation with the old banks of Germany, men like Helfferich, von Kühlmann, von Gwinner. All three of these owed their claim to Government recognition from the fact that they had been prominently associated with Germany's schemes for world domination. All three had lived in the Near East, associated with the construction and the direction of

the Anatolian and the Bagdad railways. Von Kühlmann, in fact, was born in Constantinople. He was of the chosen type of German Imperial diplomat, and as chargé at the Embassy in London, and as Foreign Minister, he is understood to have been an important representative of the German banking system. Helfferich, the most influential of the Deutsche Bank directors, was the preordained Finance Minister when the war came, and von Gwinner, who before the war publicly voiced his contempt of the banking system of the United States at the American Chamber of Commerce in Berlin, is the Deutsche Bank director in control under the new "Republic."

A still further measure of unity of control over the German groups of banks was obtained by special legislation shortly before the war, giving to the Reichsbank direct supervision over the assets of the other banks and special control over their specie.

It was the new industrial movement in Germany that had brought the new-type banks into existence, but when the latter developed they turned the tables and became the owners or the directors of many of the industries that had created them. The concentration of German banking brought the industries and commerce of the Empire under a centralised control. The domination finally accorded on the eve of the war to the Reichsbank, the Imperial institution with the prerogative of note issue (the privilege of emission is still retained also by five minor private note banks), completed and perfected the union.

While each of the six big groups of banks specialised to some extent in the class of business it controlled—the Deutsche in electric properties and North German Lloyd Steamship Company; the Disconto in foreign railways, steel and iron and Hamburg-American Steamship



Company; the Darmstädter in light railways and breweries; the Handelsgesellschaft in metallurgical works, and the Dresdner and Schaaffhausen in others—nevertheless all the groups were interested to some extent in all the leading industrial groups. The big bank groups had seen to it that the chief industries were also concentrated into groups. Thus in the electrical business there were six groups of companies under the following names: Siemens and Halske, General Electric, Schukert Union, Helios, Lahmeyer and Kummer. An indication of the banking affiliations of these groups may be gathered from the fact that Siemens and Halske were backed by the following banks: Deutsche, Darmstädter, Berliner Handelsgesellschaft, Disconto, Dresdner, Mitteldeutsche, Bleichroeder, Delbrück, Stern, Speyer-Ellissen.

And similarly for the groups in the chemical industries and in the industries with strong cartel tendencies, such as mining and metal working. The German Government's grip on the financial, industrial and commercial resources of the Empire was thus complete to wield them at will and as one mass in its plans for the prosecution of war and of world domination.

An account of the methods by which the great groups of German banks spread their branches abroad and through them used the resources of the foreign countries to build up German commercial power, as well as of the methods adopted by the German banks for keeping in subjection those who deal with them and for obtaining the foreigner's trade secrets, is worth special consideration.

## CHAPTER IX

### GERMAN BANKS ABROAD

**Economic Theory of the Foreign Bank—Characteristics of the German Banks Abroad—Value of State Direction—Prestige of the German Great Banks Utilised—Banks Founded with the Foreigner's Money—Silent Partnership Arrangement with American Banking Houses—Experiences of American Business Men Who Dealt with Them—Even Blackmail Resorted to—The Banking Web Around the World.**

GERMANY's banks in foreign countries, her most potent weapon for dominating foreign markets, were the vanguard of her "economic war" forces setting out for commercial dominion of the world. Starting on her industrial career without the accumulated capital of countries like England and France, without the natural resources of the United States, Germany, by unusual methods, came to be a financial power of the very first magnitude.

London was the financial capital of the world, and then New York gradually drew up. Wall Street was pitted against "The City." Statistics used to be quoted to show that Wall Street was forging ahead, and that we were about to have the supreme satisfaction of having the world's financial capital in our midst.

Not a word meanwhile about Berlin. Berlin craved no notoriety of that sort, but it was Berlin that was doing the chief forging ahead. Germany in all that



period was milking for her own purposes The City, Wall Street, the Paris Bourse, the accumulated capital of Italy, Spain, Holland and Belgium, the capital of Russia borrowed from France, the money resources of South America derived from the United States and other countries.

Germany, we have been told for the past few years, has been doing no foreign business; she has lost her foreign trade, her shipping; she has piled up war debts that will inevitably leave her bankrupt; she will be set back fifty years as a result of the war. Such has been the average forecast. But talk of this kind, while it may give some empty satisfaction, can do no good. Actually it is worse than useless, for it is founded on ignorance of the strength of Germany's financial structure, both at home and abroad. It would be of far greater benefit to the people of this country, and to the peoples of the other countries striving for freedom, to tell them frankly that there is a real danger of Germany being better off financially in the future than most of her present adversaries, unless they all grasp the deadliness of the "economic war," the *Wirtschafts-Krieg*, which Germany for years, and in the most crafty manner, has been waging against them, and unless they undertake some radical counter measures.

"The German bank abroad is the means of introducing the German element into every foreign field of enterprise. It is the wedge that opens the way to economic penetration of the world's markets." This is an axiom of the German business universities. Another is to this effect: "To make a foreign nation your debtor is to put it in the obligation of paying to you tribute—political, financial, commercial. It is to make it ultimately your vassal

state." Germany had made many nations her debtors, her economic vassals. Not all of them have been freed from their bondage.

With thoroughness and with military precision the Germans went about the task of using their banks abroad as the opening wedge for German supremacy. The citizens of other countries have, of course, established banks abroad, and no one could deny to the Germans an equal right to do so. But it happens that there is the widest kind of a difference between the banks set up by the Germans and those established by the other peoples in foreign lands. In the case of the latter the banks are private in every sense of the word. In the case of the Germans the banks are practically and in effect banks of the German State. It is the German Government that is arriving in your midst every time that a German bank is established in your country. This difference is of vital importance.

The majority of the German banks abroad were founded by the German Grossbanken, the "great banks," the six big groups into which the German "credit" or business banks were concentrated, the groups known as the Deutsche Bank, Disconto Gesellschaft, Berliner Handelsgesellschaft, Dresdner Bank, Schaaffhausen'scher Bankverein and the Darmstädter Bank. They are State banks, even by the admission of German official spokesmen, like Dr. Helfferich and Jacob Riesser, Germany's chief authority on banking. The latter dilates complacently on the advantages that derive to Germany from the fact that the great banks are directed by the State. "State direction," he says, "makes of the banks a united force for furthering the national interest at home and abroad, for elaborating an industrial policy, for establishing colo-



nies and developing foreign trade, for creating or acquiring means of transportation and communications—railroads, shipping, canals, cables, radio stations—for controlling the press and public opinion, for upholding national credit, for obviating crises and preventing panics.”

And so, when a German bank is established abroad, it is the German State that is penetrating into the foreign country to control the press and public opinion, to further Germany's national and industrial policy, to establish colonies, transportation, communications. Nowadays the German banks abroad do not hoist the German ensign. In fact they are not always easy to recognise. Some ten years ago the Germans began to adopt the policy of disguising to some extent their banks abroad, dropping any appellation that would indicate their alliance with the German State, using domestic names, often patriotic titles. This was particularly the case in France, England and the United States.

The Deutsche Bank some twenty-eight years ago organised in the United States the German-American Trust Company and located here a branch of the Deutsche Ueberseeische Bank, the German Overseas Bank. The parent German bank became a weighty factor in speculation in American railway shares, and particularly in those of the Northern Pacific Railroad Company, but in the course of time it changed its method of doing business, at least outwardly. The trust company's name was changed to the German Trust Company, and it was announced that it would thereafter devote itself chiefly “to studying the condition and accounts of American corporations and to undertaking trustee operations”—a rather odd line of activity for a foreign bank in Amer-

ica. The Deutsche Bank, the Disconto and the other great German banks now began to operate in the United States largely through private banks and in the name of the latter.

As far back as 1872 the Deutsche Bank had entered into Kommandite, or "silent partnership," with a New York house of German origin, and this method was pursued on an ever-increasing scale in the past couple of decades by the big German groups. Disguised under the name of a private bank, they directed the huge German industrial and commercial army of invasion in the United States, creating for Germany commercial assets which the Alien Property Custodian declared were represented by billions of dollars.

Any American who did business of considerable magnitude with the German banking concerns here was soon initiated into the German method of commercial banking. He had to lay open to the concern all details regarding his business, his clientèle, his manufacturing processes, as well as all information concerning his particular branch of industry or trade throughout the United States; he had to admit the agents and accountants of the German banking concern to his factory, his place of business, his books; he had to agree to use the accommodation received solely in the way indicated to him—in other words, for the benefit of German industry and commerce. Then he received, not cash, but the banking concern's note, at a high rate of interest, and usually with a commission charge tacked on, and this note he discounted at an American house. Often he had to accept German counsel or direction in the conduct of his business, or to take Germans into his employ. German banking in America was not only an eminently profitable business as mere



banking; it was also the means of enabling German industry and commerce to grow prodigiously, practically on credit, and almost solely by the use of American money.

The six big German banks also entered into deals and community-of-interest agreements for certain specific financial transactions or for a course of business with American banking firms known for generations to be purely American. A vast business was also done by them openly and directly with our national banks and trust companies. Many of the banks handling this business, as a tribute of courtesy, admitted a number of German clerks into their service. In this connection it has been remarked as noteworthy that the foreign exchange clerk, as well as the foreign correspondent, in almost every bank of importance in every large city and in every nook and corner of the globe was a German. The fact might be accepted as merely testifying to the high efficiency of the German as a bank clerk, were it not that investigation has revealed that devious ways had, in many cases, been adopted to get the German into the post and that in many other cases the clerk's relations with the institutions of the Fatherland were too close to put him above suspicion.

In establishing their foreign branches, as in other forms of operations, the six great German banks sometimes acted as individuals and sometimes as a body. Mention has been made of the subsidiaries started by the Deutsche Bank alone, and similar foundations might be cited for the other banks. As a combination, the big banks founded the German Asiatic Bank, with branches in Peking, Tien-tsin, Han-kow, Tsing-tau, Hong-kong, Shanghai, Yokohama, Kobe, Singapore, Calcutta and

other cities in the East, and through this bank they conducted important mining and railway enterprises. In like manner unitedly they founded the German East-African Bank and the German West-African Bank and connected with them, and with other banks, many telegraph, cable, radio, railway and mining and industrial and commercial undertakings in distant lands.

In 1894 the six banks combined to found in Milan the Banca Commerciale Italiana—nothing German about the name, be it noted. In an astonishingly short period of time it became the dominant commercial bank in Italy. Its branches spread throughout the country; thirty-five of them were started within a dozen years. Trade and commerce in the entire Peninsula became subservient to them and they followed Italian business wherever it went, founding branches in Tunis, in Turkey and in Brazil. These German bankers were monopolists; no outsider, if they could help it, was to have any participation in Italy's development, and the tyranny which they exercised over the Italian merchants and manufacturers is probably without precedent or parallel in modern history. Each of the six great banks had its own files of records of merchants and manufacturers in every country in the world and all of them had the Schimmelpfing's mercantile agency to draw upon to supplement the records. With this fund of information, amplified by its own researches on the ground, the Banca Commerciale Italiana was soon in possession of every conceivable detail concerning every Italian doing business in any important way in any part of Italy.

If a merchant carried out a banking transaction outside of the German bank the fact was quickly known through the agents which the Germans had everywhere,



and the merchant was summoned and put on the grill. If he was repentant and saw the error of his ways, he was mulcted or otherwise made to suffer a loss corresponding to what the German bank had failed to make on the transaction, and he was re-admitted to grace. If he was obdurate in his obstinacy, the Germans brought their final weapon to bear. They sent out private notice to credit and financial institutions and to the business concerns with which the man had dealings, that he was now in bad financial shape and they advised that no business be transacted with him, and presently the culprit found himself boycotted financially and commercially. The fact is vouched for in documents published with official sanction in Italy.

Endless incidents could be cited of blackmailing methods applied to other Italian business men to keep them in subjection to the German banking and commercial system. Thus, a merchant in the north of Italy, who had transgressed by ordering some machinery from an American firm instead of from the agent of a competing German company, was sharply brought to time by the local German bank with which he dealt. He was informed that if he insisted on going through with the deal the local newspapers would be put in possession of the details of an escapade in which his daughter had been involved, and his wife would be informed of some of his own private delinquencies. A merchant or manufacturer who did not place his advertising through the German advertising agency in Italy—later proved to be primarily an agency of espionage—saw his banking accommodation cut off and his credit impaired. With extraordinary rapacity the German banks went about their work of

Germanising the financial and commercial markets of Italy.

A particularly interesting point is that while the German banks started the Banca Commerciale Italiana with a capitalisation of nearly \$30,000,000, they gradually diminished the German stock holdings in it until their stock interest when this war began was less than five per cent of the total. Among the directors they placed Italians, Frenchmen and Englishmen, but despite their own small holdings the Germans maintained absolute rule over the bank.

This has been a typical German mode of procedure. A large capital is "subscribed" by the powerful German banks to found the subsidiary abroad. Only a fraction of it is put up in the form of cash. The stock is turned over for cash, preferably of the country in which the bank is to operate, care being taken that the shares remain in the hands of persons who are complacent, so that there will be no danger of interference with the all-German management. Puppets are put in as directors, to save appearances, and thus the bank, seemingly international in character, and really capitalised with foreign money, is run by Germans and solely in the interests of Germany. The fund of real German money that had been used to make the start is taken to another country to repeat the operation of drawing out native funds to enable the German banks to get their grip on the industry and commerce of the country and make it an appanage of Germany.

The Banca Commerciale Italiana, it should be added, is now a purely Italian institution and is rendering valuable service in developing Italian industry and commerce.



The Deutsche Ueberseeische Bank which the Deutsche Bank founded in 1893 was designed chiefly for business in South America, although a branch was also established in New York. Twenty-three branches of this bank, known in Spanish as the Banco Alemán Transatlántico have been in operation in Argentina, Brazil, Uruguay, Chile, Peru, Bolivia. In Spain, von Gwinner, mentioned previously as one of the chief administration directors of the German "great banks," and known to American bankers from his association with speculation by German banks in American railroad securities, undertook the establishment of the German branch banks in Spain. He arranged first for the silent partnership of the Deutsche Bank with German private banks in that country, but then cast discretion aside and organised the Spanish-German Bank and later went a step further and used the name Banco Alemán Transatlántico, without bothering about the incongruity of the name Transatlantic applied to a bank on the continent of Europe.

And now, using the funds and resources of Spain, the Germans have been reaping for the Fatherland an important part of the profits of the enterprise and labour of the people of that country.

In Belgium the silent partnership plan was worked by the Deutsche Bank in Brussels and by the Darmstädter Bank in Antwerp. The Disconto was chief owner in the International Bank in Brussels and in the Belgian Commercial Company in Antwerp. The Deutsche and the Dresdner controlled "private" banks in Paris and all the six German banks had their special representatives in that city. The Darmstädter worked Holland and likewise Austria and Hungary. The Dresdner and the Schaaffhausen'scher took the principal part in the formation

of the German Orient Bank, with branches in a dozen cities in Turkey, in Persia and in Morocco. The Disconto directed the banking invasion of Roumania and of Bulgaria. It also founded a string of banks in Brazil.

To attempt to enumerate the important banks organised by the Germans in foreign countries would be to string out tiresome lists of institutions and of places. Enough has probably been set forth to indicate that the German financial web, spun around the world with marvellous adroitness and infinite industry, was as complete as the progress of our times would permit or could demand.

To distract the attention of the nations while this work was being done the Germans sedulously insisted on two points. One was that England and France had far more banks in foreign countries and that Germany was merely acting for elementary protection in creating new banks rapidly. The assertion might delude the unthinking—and many were the unthinking when Germany, before the war, was building up her great financial and commercial machine—but, of course, it does not stand up under examination. The Banca Commerciale Italiana had counted only as one bank, but it was greater than combined scores of petty Italian, French and British banks in Italy, chiefly small exchange and foreign draft institutions. Similarly the Banco Alemán Transatlántico in Spain is a great credit institution directing a commerce representing a considerable fraction of that of the whole Spanish nation, and cannot be spoken of in any logical comparison with the multitude of little French bureaux in Spain that go by the name of banks. And similarly for the other countries.

The other point on which the Germans have insisted,



is that the balance of trade had for years been unfavorable to Germany. Her imports in the years immediately preceding the war exceeded her exports by some hundreds of millions of dollars. Some of the German economists invited the sympathy of the other nations for Germany on this showing, but others of them, knowing that every onlooker could see for himself that Germany, far from being hurt by the seemingly adverse balance of trade, was prospering visibly and amazingly, offered some turbid explanations that shed no light on the subject, at least for the outsider. The fact is, of course, that the balance-of-trade figures furnish no basis for reaching accurate conclusions in this case. We know to-day that tremendous quantities of raw materials and wares charged up against Germany in the importation statistics, were owned by Germany at their source in the foreign country. We know from revelations by the Alien Property Custodian and from other sources that great quantities of cotton, copper, leather and other materials sent from the United States to Germany were owned by Germany here, although they may have been paid for with good American money.

The Germans themselves cannot help gloating over the true facts in the case. "The foreign countries that send us imports in excess of our exports are working for us. Let them go on working for us." Thus Riesser, the German banking authority, quotes some of the German economists as saying. And this sentiment may be regarded as comprehensive of the whole German theory of foreign commerce. "Let the foreigner work for us, and let him pay himself with his own money for his work." With tireless energy the German banks have exploited this theory.

## CHAPTER X

### THE SPY SYSTEM IN TRADE

**Secret Service Methods Systematically Employed—Experience of an American Agent in Germany—The German in France Possessed of Private Trade Details—Investigation of the German Practices—The Military Commercial Traveller—Demand That German Ways Be Mended.**

It is not in our day that Germans departed from honesty in trade. With them unfair practices were among the traditions. Hundreds of years ago German commerce was already tainted. The Hanseatic League had thrived on crime. Lübeck, Hamburg, Bremen and the other Hansa cities became rich by treacherous and violent suppression of independent traders. Spies were systematically employed at home and abroad to steal trade secrets, to work the ruin of competitors and to create strife in competing countries by financing and encouraging contention between factions and parties. Monopolies and special tariffs were also employed as weapons. The League organised a great trade combine of unparalleled extent. Its ramifications stretched from London to Novgorod. The trade morals of the whole civilised world of the time were depraved by the Hanseatic League.

Most of the great German-owned industrial establishments in the United States were "spy centres," Mr. A.



Mitchell Palmer, formerly Alien Property Custodian, stated, "filled with agents of Germany long plotting against the safety of the United States." He added that they were "part of the great German plan for the military and commercial domination of the world."

The systematic way in which Germany used her Secret Service Department for trade purposes, or "economic penetration," long ago aroused the serious concern of the Allies. Investigations of the methods employed and of the extent to which the system proved profitable to Germany have been made in several countries, but only a small part of the information discovered has been made known officially.

In the years immediately preceding the war large American corporations, like similar firms in Europe, came in frequent contact with the so-called "spy system in business."

A representative of an American corporation with widespread foreign trade had occasion to travel much in Europe and had established headquarters in Germany in the year before the European war. He had been warned by friends to keep a close eye on his papers and effects and, as far as possible, to travel only with such baggage as could be taken in passenger compartments on the trains. This, however, was not always feasible and one morning when leaving Milan for Germany with a trunk he was struck by the eager insistence of a German-speaking employé of the foreign-owned hotel, in which for special reasons he had stopped, in attending to the checking of the trunk on the train. The American watched this employé's actions while the trunk was being labelled and felt reassured until he reached Basel in Germany, where the train which had come through Switzer-

land was to be divided in two sections and routed north toward Berlin, a section on each side of the Rhine. The customs inspection is made for Germany at German Basel, but the trunk in this instance was not taken off the train and although it was plainly visible in the open baggage car, the chief inspector refused to listen to remonstrances, on the alleged ground that the trunk was routed via the eastern bank of the river while the American's ticket was for the Strassburg way. This, however, was not in accordance with the facts. To add insult to injury, as it later proved, the inspector passed the complainant on to a young man who said the way to settle the matter was to send a telegram. He collected eighty pfennigs (about twenty cents) for a telegram, dictating the wording of it and declaring that he would afterward fill in the name himself of the person to whom it should be addressed. He would give no receipt for the money, and where the eighty pfennigs ultimately found its way must remain a matter for conjecture. The telegram of course did no good.

A week later notice was received that the trunk was at the customs department of a central German city. An appointment was made for its inspection and, instead of customs officials, two special agents were present at the appointed time. The inspection was thorough. Every document and every scrap of paper was minutely examined. Endless questions were asked regarding the American business documents and the method of doing business which they implied, the countries in which business was done and the names of the firms concerned, the pretext for the questions being the doubt that the printed part of the business documents might be dutiable as being printed, and the manuscript and typewritten part of



them might constitute contracts and therefore be subject to duties under other heads. The contents of the trunk were weighed and separately classified and finally fees were levied under three separate heads for the molestation caused by having put the German authorities to the necessity of making this special inspection. A total of about three dollars was involved.

Soon after this incident the American became conscious that his desk in an office in that same city was being tampered with and, after a watch had been set, a German in the service of the same American corporation, and already suspected as being a Government agent, was caught red-handed in the act of prying open the desk and making a record of its contents.

When confidences were exchanged with other representatives of American corporations, it was learned that the experience was a common one, and the comparing of notes seemed to show an explanation for the surprising ability of German firms to learn the names of the foreign customers of American corporations and the seeming coincidence of their soliciting those firms almost simultaneously with the American agents, every time that the latter had something new to offer. Incidents can be vouched for where agents for American corporations in Italy and other countries on receiving from America new machines or radically new models found to their amazement that German agents had already visited their customers, had described the new machines or models and had denounced their alleged weak points and their undesirability for various reasons. The German agents actually knew more about the new American offerings in machines than the American agents.

In France, a year before the war, an American agent

had occasion to seek bids on the printing and binding of illustrated machine catalogues. Unsolicited, a German appeared, in possession of all the details regarding the projected work, and presented prices on behalf of a large printing and publishing company of northern Germany. His samples of work, while inferior artistically to the French offerings, were excellent from many points of view and his figures on the job were less than half those submitted by two of the French bidders, and much cheaper than the cheapest French bid for an inferior grade of work. In the matter of binding the German was far ahead. Furthermore he was full of information regarding the French firms who could handle work of this kind and cited many details derogatory to them.

Apparently secure up to this point that he could carry off the order, the German spontaneously raised the question regarding the obligation imposed by the French law of having the name of the printer and the country of origin appear on the printed matter. He took it for granted that no company doing business with French manufacturers would wish to have a German inscription of origin appear on their French catalogues and he was ready with several solutions of the problem involved; also seemingly taking it for granted that an American firm would be willing to violate or circumvent the rigid prescriptions of the French law.

Three plans to beat the French law were proposed. First, the German company would undertake to deliver the catalogues in France without any indication being printed on them regarding their foreign origin. How they were to pass the French customs officials at the border was not explained; all questions as to whether they would be smuggled in or passed by the bribing of French



officials being met with the answer "That's our business." Second, the German company would ship the catalogue material, both letterpress and binding, in small irregular quantities through several border points, marked as samples. Third, the German company would print its name and address on a perforated sheet and, after the books had entered France, this sheet could be torn out by the American company's agents who delivered the catalogues personally to the French customers. The catalogues retained in the offices of the American company in France would still have the German inscription on them in fulfilment of the French law and if any unmarked catalogues were discovered by French agents, it would be easy to explain that it must have been the French customers who had destroyed the German markings. When upbraided on the matter, the German, who had shown alarm when requested to put his proposals in writing, promptly declared that in reality he was not the agent of the German firm but only a friend of the agent, that the suggestions he had made were presented merely on his own initiative and that the German company could not be held responsible for them, and he beat a hasty retreat. Whatever was his position, he was surprisingly well informed. Many such instances of German "penetration" could be cited.

A French writer, M. Lucien Descaves, who has made special investigations in this matter, quotes from a secret document, of which he has seen a copy, containing instructions to German engineers, who are called on to sink their professional pride and to devote themselves to finding trade secrets and furthering German trade, which will be readily possible for them through the prestige of their professional status.

An Italian publicist has stated that "the Italian authorities have proofs regarding the manner in which the German Government works hand in hand with the German system of corporations, organised almost like the mediæval guilds, regarding the way in which the plans of campaign are worked out, and the way also in which German diplomacy in all its ramifications is put at the service of the trade campaign." The famous Italian financier and former Premier, Senator Luigi Luzzatti, urges the Allies to unite "not for any Utopian scheme of trade protection, but in common defence against the secret intrigues of the German Government and its secret agents to the detriment of the trade of the Allies."

M. Emile Boutroux, of the French Academy, has said: "It is not the amount of visible force which will remain to Germany after the war which will represent the measure of the danger which she will mean for humanity; it is the persistence of her determination to dominate, to grow great, to oppress others. Latent, hidden, invisible, its very existence denied, that determination, if we judge the future by the past, will continue to exist. The German notion of sincerity and frankness consists in employing deliberately the means best adapted to deceive others for the profit of Germany."

M. Descaves has described the results of a tour he made of neutral countries for the purpose of investigating German Secret Service in trade. Both men and women, he says, are employed in this way by Germany, mostly young men and women. Secret Service and business promotion are practically convertible terms. The German Secret Service man or woman is taught the art of trade development and the German commercial traveller is taught the art of espionage. Germany realises



that the rôle of commercial traveller is the best disguise for a Secret Service agent and that Secret Service is the best of all adjuncts to trade. Germany, according to M. Descaves, is inundating the neutral countries with literature and with agents. The agents are recognised as by far the more productive. Printed documents are scattered broadcast, but unless they are followed by many others, they are soon forgotten. Where the agents follow one another, working with mutual aid, their work is practical and profitable. They perform not merely a common task; they work out a propaganda.

During the war, this writer stated, the Germans systematically granted furloughs from the army to their mobilised men who had been commercial travellers in foreign countries. These men were authorised to visit their former customers and were urged to work with zeal and adroitness and to produce practical results. Special rewards were reserved for those able to practice espionage for the benefit of Germany. The agent had a double, or rather a triple, part to play. He was openly placing his country's products, he was advertising his country's greatness and secretly he was gaining information regarding Germany's neighbors and her enemies. These German commercial agents for the most part were young, industrious, insinuating, tenacious. The promises they made in the name of the great commercial firms of Germany were kept. They were serviceable and they pushed their eagerness to be agreeable to the point of servility. While they did not succeed in making themselves popular they imposed themselves on the business men because they could quickly obtain from Germany what merchants had patiently but vainly sought elsewhere.

## CHAPTER XI

### INFLUENCING THE PRESS

**Court Martial Exposes German Ways of Press Corruption—German Female Spy Marries Pre-Selected Italian Sailor—She Handled Newspapers—Publicity Organisation of German Corporations—Denounced as “Corruption Agency”—Socialist Internationale Used as Intermediary.**

THE foreign press was the object of intensive efforts on the part of the Germans. To facilitate espionage, to spread “defeatist” and bolshevist doctrines, to discourage foreign business seeking trade outlets, to arouse suspicion and enmity among the great nations, a systematic campaign of corruption was put in motion by Germany’s leaders. Direct subsidies and indirect subventions in the guise of payment for advertising were among the means employed. So difficult was it to cope with this evil that both France and Italy were obliged, in the fourth year of the war, to decree that no newspapers or other publications carrying advertising of any kind should be sent abroad from those countries. The French and Italian newspapers and periodicals went to foreign countries with all their advertising space blank.

The trial in Genoa, in the Spring of 1918, of the heads of the Officine Elettriche Genovesi revealed the amazing boldness of the Berlin spy system in its operations in a country at war with Germany and the endless entangle-



ments which were erected around the organisation to render it immune from legal attack. It also testified to the long-suffering tolerance of the Italian Government. The O. E. G., as the concern was popularly known, a subsidiary of the German General Electric Company of Berlin, had obtained control of the public services and even the harbor transportation of the port of Genoa. Herr Koenigsheim, the supreme director of the company, was called the "German Governor of Genoa." The phrase was used at the trial by the Italian commander of the Arsenal and Artillery Factory of Genoa, who gave evidence regarding the espionage system conducted by Koenigsheim, to whom all the German spies in northern Italy reported as to their supreme chief. Koenigsheim fled from Italy when his machinations became known and was sent by his government to Bucharest as head of the German spy system in Roumania.

Among the charges made at the trial against this man and his subordinates were sabotage of Italian war plants—destruction of property in the Government artillery and munitions factories, in the naval radio stations, on shipboard and elsewhere—communication with the enemy to the detriment of Italy, and high treason. It was as an incident that espionage and intention to misuse the press were brought into the trial.

One of Koenigsheim's agents was a young woman who had been sent from Berlin with the recommendation from the chief of the espionage bureau that she was "a very capable and penetrating agent." She had been in Italy only a few weeks when she married a petty officer in the Italian navy. An officer of the Italian Carabinieri, or gendarmes, testified that he had proof that it was Koenigsheim who arranged the marriage and who picked out

the young man, whose work gave him access to important military positions.

This young woman communicated directly with the espionage chief in Berlin. Her correspondence showed that she pulled the strings all over Italy where German spies were working and it required great patience and ingenuity on the part of the Italian Secret Service to follow the lines that led from her office and to circumvent her activities. Her work had been so pernicious that the public prosecutor demanded a penalty of twenty years in jail in her case. It was she who handled the newspaper lists. Minute details were forwarded by her to Berlin regarding Italian newspapers, copies of which she also forwarded, and to her were delivered copies of French, English and Spanish newspapers, which she likewise transmitted to her chief. The precise nature of her dealings in this regard was not made public, but it was significant that immediately after the matter was to some extent vented before the court martial the decree was published suppressing all advertising in newspapers going abroad and forbidding any one but a specially appointed postal agent from mailing newspapers destined for foreign countries.

Zurich, Switzerland, was the way-station for the communications between Genoa and Berlin, and it was due to the fact that the stock control of the Genoese company was held in the so-called "Elektro Bank" of Zurich that the Italian Government had hesitated so long about laying hands on the concern in Genoa. It was necessary to establish beyond question that the bank was owned by the General Electric Company of Germany and by the Deutsche Bank before action could prudently be taken.



One of the German organisations created during the war for the purpose of endeavoring to influence the press of the world was the "Ala," whose mission was to manipulate newspapers in Germany and in other countries, through funds ostensibly paid out for advertising. Another was the "Archiv," which operated in conjunction with the "Ala," and handled the work of espionage developed through the agency.

Both the "Ala" and the "Archiv" were under the direction of Dr. Hugenberg, one of the most influential of the Krupp directors.

The name "Ala" is a contraction from Allgemeine Anzeigengesellschaft (General Advertising Company) which had as its avowed purpose the placing of advertising in home and foreign newspapers and periodicals in behalf of the great German industries. The "Archiv" existed ostensibly for the purpose of gathering and coordinating information of practical economic benefit to Germany in co-operation with the "Ala."

All the members of the great union of German manufacturers and merchants, effected for the conduct of the war and for the preparation for the transition from the war footing to the peace footing, were represented on the board of the two organisations and contributed pro rata to the expenses of their operation, in payment nominally for the advertising of the individual industries. Theodore Wolff of the Berliner *Tageblatt* denounced these organisations and declared that the "Archiv" was in reality "a detective bureau" and the "Ala" a "true and actual agency of corruption and subornation."

In a public trial in Italy the editor of the most widely circulated Socialist newspaper of northern Italy, an avowed anti-war and anti-monarchical organ, admitted

that he had received about \$10,000 from the "Internationale" organisation in Switzerland. The Italian Government agents who were in contact with that organisation had proof that it was financed from Berlin and that it was sending funds to newspapers in other countries besides Italy.

For many years before the war a German newspaper advertising agency, which operated under a partnership name, exerted a powerful influence in many European countries and its activities extended to all parts of the world. In Italy, for instance, it controlled by far the greater part of the general press advertising of the kingdom and only the prosperous newspapers could consider themselves immune from its influence. It handled the advertising not merely of the firms immediately under German control, but also of many others which involuntarily were brought under its sway. An Italian manufacturer who employed this agency found that the local commercial bank, owned or managed by Germans, was liberal in its treatment of him. The manufacturer who tried to turn a deaf ear to this agency was rudely brought to his senses by the bank, if he was under obligations to the latter. The agency's power over a considerable section of the press can readily be understood, but the tyrannical way in which that power was used can only be appreciated by those who have intimate knowledge of German financial methods.

For some time after the war began this concern continued openly its operations in Italy under the fiction that it was Swiss, and not German, but the mask ultimately was torn from it and its activities were interfered with, at least as far as the then existing organisation was concerned. Very soon, however, certain new adver-



tising agencies came into being in France, Italy and other countries, but in time it was discovered that their funds were being received from Switzerland and their enemy alien character was revealed as a result of investigation in the latter country. The Italian government has ascribed to the German literary propaganda the great Austro-German victory at Caporetto in October, 1917, and the succeeding invasion of Italy which was well nigh fatal to that country.

## CHAPTER XII

### TO PROTECT AMERICAN PRODUCTS

**The Distinctives of Merchandise—Germans Systematically Appropriated Those of Other Peoples—"Vienna" Hand Bags Made in Germany—No Business Too Trivial for Imitation—Incident of the "American Saints" in Mexico—United States Products Particularly Exposed to Appropriation.**

IN the world's markets the retail purchaser, seeking baggage, makes his choice between an English bag and a French bag, and knows that the characteristics of each are distinctive. There is a difference between the English bag and the French valise, as there is between an English suit of clothes and a French suit; the former aiming to drape the male figure with a certain elegance and prodigality of material, and the latter furnishing neatness and exactitude in fitting, and there is a no less marked difference between an English watch and a French watch, between an English picture and a French picture, between an English glove or shoe and a French glove or shoe. The difference is a tremendously valuable commercial asset.

The foreigner when filling his needs is not merely moved to make his choice dependent on well-known characteristics in the merchandise, but he is inclined to duplicate his requirements. His inability to decide on a superiority of attraction between an English clock



and a French clock will often induce him to purchase both. What may be called the distinctives of trade give to the products of England and of France an assured position in all markets.

Even in Germany before the war the most exclusive and most expensive men's furnishing stores in all the leading cities flaunted the sign "The Jockey Club" or some other English device, and dealt only in English wares, and the most elegant shoe stores sold women's footwear made by Pinet of Paris and men's shoes from a factory at Romans in the southeast of France. And meantime German manufacturers were industriously spreading throughout the world's markets close imitations of English garments and furnishings for men and of French footwear for men and women.

In some lines the imitations sent out by Germany bore their own condemnation for every experienced eye, in their characteristics which revealed them as imitations. But this was not the case universally.

Austria had won world honor for products of various kinds. Royal Vienna porcelain acquired prestige and was in demand in foreign lands. The Germans imitated it and flooded the world with gaudy plates which, instead of being adorned with artistic hand-paintings, contained paper pictures pasted on the plates, and to make the fraud pass, had a mark almost identical with the Royal Vienna symbol painted on the bottom of the plates.

Women's hand bags and pocketbooks made in Austria were also highly esteemed in all the principal countries. Damentaschen made in Vienna were in demand and commanded high prices. In this case also German manufacturers went into the imitation business, but from the early cheap imitations they progressed to the production

of a high-grade article. Expert bag makers were brought from Vienna and a close duplicate of the Austrian specialty was turned out.

So far there was nothing notably unethical in the proceeding. But the German manufacturer had no idea merely of entering into open competition with Austria in Damentaschen. He determined to put his goods on the world's markets fraudulently as Vienna products. One of the leading manufacturers of ladies' bags of Offenbach, near Frankfort-on-Main, the centre of the industry in Germany, declared to the present writer that 90 per cent of the "Vienna" bags and pocketbooks sold in the United States were made in Germany; that they were sent first to Vienna to be stamped there with the Vienna mark and that thus they paid import duty twice, once to Austria and again to the United States. These German manufacturers were simply engaged in the practice of stealing an important trade asset of Austria.

The systematic imitation of the merchandise and marking of merchandise of other nations is carried out by the Germans even in the most unexpected places and with a thoroughness which at times seems ludicrous, but which our present knowledge of German plans shows to be all too serious. In Mexico an astonishingly large proportion of business is done throughout the country by Arab peddlers. These "Arabs" are for the most part Syrians, adherents to Christianity, but as they wear the sombrero and the garb of the Mexican they pass off commonly for natives. They replace the mail-order business in Mexico and they sell on time and on instalment when they cannot get cash. With quite remarkable enterprise they are ready to take an order for a sewing machine, for an agricultural machine, a piano, or an automobile



from a Hacendado and to collect from him in instalments over a lengthy period, and at the same time they supply the Pelado, the poorest of the country's poor, with his rudimentary needs in the way of wearing apparel, cotton trousers, sandals and bandana head covering. But the chief part of their trade is in furnishing the peon class with cheap finery and ornaments. The majority of these Arabs are tributary to the City of Mexico, and the street immediately to the south of the National Palace in that city is occupied almost entirely by the Arab wholesale merchants, who supply the merchandise, attend to the filling of orders and arrange the financing of the travelling peddlers.

An American who had studied the market broached this trade one day with a quantity of a new kind of jewelry, the chief feature of which was a gilt and enamel brooch, with a celluloid-covered photograph supposed to depict the figure of some of the popular saints, but in reality reproducing the features of American actresses. The materials were produced in bulk in Providence and New York and put together in Mexico and the finished product was sold very cheap. The peons fought for the American Saints (Santos Americanos) or Santitos (Little Saints) as they became commonly known, and the dealers could not get enough of them. The American patented the brooch and prepared to enter the junk jewelry trade in a considerable way.

But, after little more than a month had elapsed, a German agent presented to the Arab merchants an imitation of the Santitos, a poor thing in comparison with the American's, a single piece brooch with the Saint printed on the metal. He asked about one-half the American's price and offered four months' time, as against spot cash.

The American Saints thereafter sold in Mexico were made in Germany, and the American felt that it would be a waste of his time and money to fight for his rights. The first impression of one acquainted with the incident was surprise that German manufacturers should bother with such a petty and precarious business, but later experience showed that no business was too trivial for German organised commerce to touch and that like procedure has been going on in the Central and South American republics and even in more remote quarters of the globe. To the German scientifically schooled for trade, every chance that offers for "economic penetration" must be grasped and it should be remembered that the German graduate of commerce is usually at the same time a graduated purveyor of military and other intelligence for the Fatherland.

American goods are particularly exposed to German fraudulent imitation because generally they lack the distinctives of their national origin. There are, of course, American pianos, agricultural machines, watches, bridges, which have these distinctives and accordingly have won for themselves special recognition in foreign markets; but they are the exception. American manufacturers generally, regarding the foreign market as only a minor one, had not aimed to nationalise their trade, to make known its distinctive features so as to prevent the Germans from appropriating them, or to produce articles so peculiarly American that they would be known as such on sight, just as English and French wares have recognisable qualities associated with the countries from which they originate. Until they set themselves to the task of turning out products that meet the foreigner's views and are yet distinctively American, and of handling their



trade in a way that is specifically national, they will not have begun to fulfil this aim.

Thus, for example, if the Latin-American likes his shirt with voluminous tails and with the neckband cut low in the front, there is no reason why a shirt conforming with these requirements should not merely be made in America, but be distinctively and conspicuously an American shirt. The distinctive characteristics do not necessarily mean the special form of the article as used at home.

To create the American distinctives of trade it will be necessary for American merchants to make a united effort. It is not too much to say that it may be regarded by them as a patriotic duty to further this nationalisation of American trade. Concerted work on the part of manufacturers will be needed to effect promptly for American goods what the *amour propre* of the Frenchman and the fine national spirit of the Englishman have done for theirs. All who have handled American machinery in foreign countries know how difficult it is to get around the psychological spell cast by the words "Made in England" or "Made in France" inscribed on a machine. In manufacturing machinery America leads the world, is *facile princeps*, but in the years since this superiority was assumed but little has been done to impress it on the foreigner. Germany has had too much to do with handling American manufactures. Her ships have carried them, her agents have made money and have promoted German trade by selling them and have had a free hand in making of them a trade asset for their own country.

## CHAPTER XIII

### BRIBERY IN TRADE PROMOTION

**Mystery of American Trade Misfortunes Abroad—Sabotage a Typically German Weapon—Italian Premier Denounces Bribery—When Krupps Were Exposed—An Apology for Commercial Immorality—How Shimmelpfeng Credit Agency Obtained Its Famous Lists—German Professors as Corrupters in Italy.**

LEADING American corporations in the past spent large sums in the effort to fathom the mystery of their mishaps and misfortunes in distant countries. When American merchandise was found damaged on the piers of South American ports, it was reported back that the shippers in this country did not know how to pack their wares.

This, however, did not satisfactorily explain why it frequently happened that when an agent from this country had succeeded in booking an order of any importance in South America, a German agent was at once aware of the fact, was after the South American merchant with an offer to deliver equivalent goods at a much lower figure and at the entire risk of the German firm if the South American did not desire to accept the goods when presented, and that it was the latter goods—often machinery or manufactures that had been produced in the United States, were thence shipped to Hamburg or Bremen and reshipped to the South American port—which



were actually delivered to and accepted by the South American merchant while the American goods to fill the order lay wrecked in gaping packing cases on the local wharves.

To-day we know that German agents had systematically bribed customs officials and dock employés at South American ports; we know that sabotage was quite regularly committed on United States merchandise, and we have reason to suspect that German bribery penetrated deep into the business establishments of South American firms.

Sabotage, the damaging of work, machinery, or tools, was generally regarded as a practice originating with French anarchist workers. To-day this atrociously vicious form of destructiveness is recognised as German in its origin and propagation.

We know now that the thefts and damage inflicted on American goods sent to Italy, causing serious loss to American merchants and discouraging them from pushing actively into the Italian market, were the consequence largely of German bribery. The now notorious O. E. G. (*Officine Elettriche Genovesi*—Genoese Electric Plants), a subsidiary of the German General Electricity Company, was revealed, at a court martial last year in Italy, to have been in practical control of the harbor transportation of Genoa, and its four German directors were convicted of consistently procuring sabotage and were, for this and other crimes, sentenced, in their absence, to death.

At home we have had incidents of clerks in business firms being bribed in the interests of Germany to reveal the current transactions, copies of cablegrams, and the like; of attempts to bribe customs officials; of bribery and

sabotage at transportation points; of bribery of factory hands, and so on. Enough is known and has been made public regarding the German backing of the I. W. W. and of the German plans to bribe organs of publicity, politicians and members of the bench, to show the extent and the methodical organisation of German bribery in this country. Whole industries have been in some degree affected by it and it was extended even to American agriculture.

Proofs abound that the Imperial German Government, through its accredited agents and through the great manufacturing and mercantile establishments in which the Government was a co-partner, not merely authorised, but inculcated bribery as a means of economic penetration.

In June, 1915, Antonio Salandra, then Italian Premier, stigmatised the wholesale campaign of bribery which the German Government had for years been conducting in Italy. As arch-briber he named Prince Bernhard von Bülow, who twenty years ago was German ambassador to Italy, later was Imperial Chancellor and then was special ambassador to Italy in the interval between the beginning of the European war and the entry of Italy into it.

Prince von Bülow, the Premier stated, had bribed politicians, merchants, newspapers. "Germany," he said, "believed that money could paralyse Italy and put her politically, commercially and morally at the mercy of Germany, and German diplomats spent millions of marks to put Germany in control of Italy's national policies as well as of her industry and commerce."

Bribes were distributed in revolutionary circles to undermine the Italian King's authority and the strikes at Prato and the disastrous riots at Empoli were started



with German money, as was proved by the confession of the organisers and ringleaders. No use in making denials, when the Italian Premier was ready to answer the denials by showing to the world the proofs of his assertions.

Half a dozen years ago, seemingly as a result of bitter disputes among political parties in Germany, the Krupp firm came into the Berlin courts for bribing Government officials to start a war scare, so as to get orders from the Reichstag for more Krupp guns. The case was hushed up as far as possible and probably it would never have reached public notice, were it not that certain Paris newspapers were denouncing Krupp agents for trying to bribe French newspapers for a similar purpose, with the design, as it seemed at the time, to promote business for the ordnance manufacturers. The guilt of the Krupp agents was not denied, although the association of the German Government with the concern was known to be of the most intimate kind.

The Japanese Government, a year or so later, aired before the Tribunals of Tokio the bribery activities of the agent of the Siemens-Schuckert Company of Berlin, a concern whose subsidiaries and affiliated companies encircle the globe. This agent had bribed all kinds of functionaries of low degree, including janitors and office cleaners of Government departments, and, for bribery and theft of important documents, was sentenced to two years in jail.

As there was no way of denying the existence of bribery as a German policy of expansion, the German militarists have scornfully rejected the old theories on commercial morality and have expounded a thesis on the new ethics. Briefly it is this: Warfare is a justifiable means

of enforcing the policy of the State. Industry and commerce are instruments of modern warfare. It is no more immoral to employ bribery in commercial warfare than it is to poison wells, to kill women and children in open towns, or to sink non-combatant ships without trace. All these things, far from being immoral, are highly laudable if their purpose is to hasten Germany to her goal of world domination.

The Italian economist, Giovanni Preziosi, declares that the German doctrine, as taught in the higher institutions of commercial science, is that "every exploitation of others, every encroachment made in foreign countries, by whatsoever method it is accomplished, is a respectable equivalent of military conquest." This is the German doctrine of the present generation. It may be said, while still dealing with the apologetics of German bribery, that Germany seems to have started off on her great career of industrial and commercial expansion without any thought of adopting bribery as an essential part of her economic policy. It was when the first great crash from over-expansion came with bitter experiences in Japan and other countries in bad times, that Germany as a nation was seen to resort to the most ignoble form of commercial dishonesty.

Germany had rushed headlong into the world's markets without the safeguards that England, France and other countries had built up for themselves in generations of trading. One thing that was lacking to Germany was a line of credit information. It was then that the Schimmelpfeng Information Company came to the fore. It engaged to do in a short time what the other countries had accomplished only in centuries. As there was no way of acquiring in a few brief years the commercial



knowledge which is gathered as the result of long experience, the information company undertook to rifle the credit storehouses of England, France, Holland, Belgium and other countries and to gain one of the most precious of the national assets of those countries—by bribery. And Schimmelpfeng became the world's greatest credit bureau. Germans boasted of it as one of the monuments of their commercial greatness.

Who has not heard the stories of the American tourist in Berlin putting Schimmelpfeng's to the test, and asking a poser about the general store in the little home town in a remote region of the United States, and the Schimmelpfeng people promptly digging out the indexed card, with every last detail of information, including the two wells in the garden, one of which was unknown to the tourist? These stories may be more or less apocryphal, but there is abundant evidence that Schimmelpfeng's is a depository of an enormous mass of commercial information on every country in the world, and that the information gathered by its agents was no less military than commercial.

The German Government was of course aware of the methods adopted in gathering the information, since its own agents co-operated in the work, and the prominent merchants and manufacturers of Germany were certainly not ignorant of the methods. Bribery was a time-honored practice in the gathering of military information, but the Governments whose agents practised it were not supposed to know to what devices their agents abroad were having recourse. In Schimmelpfeng's operations it was for the first time recognised nationally, almost officially, as a tolerable, if not a commendable practice in behalf of the State's commercial development.

It was not long until all the factors in Germany's material growth—banking, diplomacy, industry, trading, transportation, science—were found resorting, each in its own way, to special forms of more or less open bribery. Every German banker, diplomat, manufacturer, merchant, scholar, artist, having a mission from his Government, or working for, or in co-operation with, the great banking, industrial, commercial and educational institutions of Germany, besides his normal avocation, has had a subsidiary commission as a good German subject. It is not a commission as spy—this would be indignantly denied, for a spy has, as prime duty, the hunting up of military plans and naval secrets. The nature of the special patriotic activities is indicated in German documents on the subject published in Italy. The German abroad, invested with the rôle above indicated—for of course not every individual German falls into the category, or is given the explicit or implied commission—is instructed “never to overlook the opportunity to investigate regarding economic resources, political tendencies, military forces, etc.; also to make notes on monetary reserves, on agricultural production, on the concentration of cattle, etc., in the foreign country, and to forward notes and documents directly through German official agents, or indirectly through German banks and industrial establishments, or failing these, to seek out German students, ascribed, with scholarships, to the foreign country, as these are in direct relation with the Government.”

Immoral practices in business are not new nor are they peculiar to any country, but when they are justified, when they are erected into a national policy and are made an element in commercial “warfare,” it is time that the



free peoples take action to prevent the whole trend of trade and commerce being permanently degraded.

Italy, which has been a field for the most shameless exploitation by Germany, is more affected by revelations regarding corruption in the domain of learning than in any other reach of human activity. What Italians call *la germanizzazione culturale*, "the cultural Germanisation," of Italy has hurt the feelings of a whole nation since the facts have been laid bare.

Italy's schools, her science and her culture have been the objects of German bribery. The aim was to impose upon Italy a German concept of the world, and for this purpose the mechanical aspect of knowledge, rather than its relations with the spiritual and intellectual life was taught from German textbooks. Germans re-wrote the history of Rome. They gave to the German tribes an exaggerated place among the rulers, the legislators, the reformers, the rebuilders, and claimed for the Germans the development of the Communes and the glory of the Renaissance. They put all the men of history to the German test—color of eyes and hair, size of body, facial angle. Herr Professor Woltmann proved in this way that Michelangelo Buonarotti and Leonardo da Vinci, the glories of Italian art and science, were good Germans whose correct names were Bonroth and Winke.

Italian officials affirm that the Germans had organised an "Artistic-Economic General Staff" for world conquest. The chief of staff was Wilhelm Bode, head of the Royal Museum of Berlin. Bode's run-in with famous art critics of Europe a few years ago, in connection with the modern wax bust he had purchased and which he insisted in ascribing to Leonardo, threw a glow of light on the artistic and ethical principles of that particular

scholar. Under the direction of Bode there operated in Italy many German professors, including Rolfs, Eckhart and Frey. Rolfs, it has been publicly announced, bribed a museum watchman in central Italy, purloined a manuscript which an Italian artist had in preparation regarding the interpretation of certain drawings, and published it as his own. It reached a point where the Italian authorities had to put the German professors on their word of honor not to pilfer, or publish without permission, before allowing them to inspect Italian art treasures. Thus Professor Frey, lecturer in Berlin on the history of art, formally pledged his word of honor before being entrusted with the Michelangelo charts in the Laurentian museum in Florence; but he broke his word and published the charts. The same professor is charged with having paid a bribe of 30,000 marks to get possession of the Vasari correspondence.

While the German professors were an object of derision to the great body of the Italian public, it must be admitted that they cast a strange glamour over a multitude of Italy's scientific men. A sort of oriental worship was created around them and they were the central stars of a galaxy of Italian planets and satellites. Money was spent lavishly. Gatherings of Italian "scientists" were taken on junketing trips through Germany and large numbers of Italian students received German scholarships and went to Germany to study.

Germany established scientific and artistic institutions in Italy, such as the Istituto Germanico of Rome and the Istituto Germanico d'Arte of Florence. These institutions were centres for the diffusion of German propaganda; Italian scholars and artists being assembled there



to imbibe German imperial ideas from German professors.

Professor von Manteuffel was the head of the Institute in Florence when the war began. Being a professor and thus a non-combatant, he was not expelled from Italy, especially as over his house in Florence he hoisted the American flag, without any right or reason, except to bluff the Italian authorities. It was soon noted that his house was being made the rendezvous of the German spies and suspected persons in Florence and the police decided to make a raid. They found arms and uniforms and documents showing that the tolerated professor was an officer in the German army serving in a military function. Von Manteuffel had no apologies to make. He was defiant to the end. He curtly ended all discussion with the Italian police by exclaiming, "Art and science are political forces."

The German ambassador in the foreign country, as the United States Government revealed in the case of Count von Bernstorff, was the expert leader of the organised spy system, the briber and the promoter of crime to further the interests of his country. His whole training and his manner of operation as the head of an organisation whose aim was to take unfair advantage of others, and to do this ruthlessly, relentlessly, atrociously, with untiring persistence and infinite ingenuity, are an indication of the well-defined plans for beating down competition in the domain of trade as well as in that of politics and diplomacy.

That there are two codes of business morals in vigor—American plain-dealing methods as contrasted with Germany's spy system methods—has long been known to those having intimate knowledge of the international

trade. Lack of exact information on the German code, however, caused it to be made light of and readily overlooked. We know more to-day about Germany's business spies and the systematic way in which the German Government had organised all its resources—diplomatic, military and commercial—for the furtherance of the "economic penetration" in Germany, so that to ignore it further would be stretching the ostrich method in business to the point of stupidity.

The experts of Europe are asking if Germany, after forcing practically the whole world to take up arms, will force it also into the new form of warfare in which the whole resources of the American and other governments must be employed, not indeed to imitate the German methods, but to uncover them and to keep the world safe for honesty in trade. The day has gone by for making light of Germany's underhand operations.

The American business man's frank smile, his hearty hand-clasp, his honest methods and his scorn of what is mean and underhand do not disarm the German; indeed they encourage him in his confidence that guile and underhand dealing will make an easy victim of frankness and simplicity. And yet American sincerity must be vindicated, must be assured of permanent victory. To this end American business must lend its utmost efforts to making sure that the system which has given birth to the spy methods in trade must be destroyed at its roots.



## CHAPTER XIV

### HOW TO KEEP AMERICAN INDUSTRY AMERICAN

**Revelations of Extent of German Commercial Domination—Consideration of Measures That May Prevent Repetition in Future—British Plans for Protecting Trade—German Metals Company Controlled World's Markets—Incident of St. Andrew's Bay—For a Monroe Doctrine of Commerce.**

No one dreamed before the war that the foreigner had such a strangle-hold on American industry and commerce. Germany alone, according to Attorney General A. Mitchell Palmer, former Alien Property Custodian, had a stake here worth billions of dollars. Through her control of non-ferrous metals she was gradually assuming domination of the world's steel and iron markets. She was potent in our mining, in our manufacturing, in our cotton, our wool, our staples of all kinds, and in almost every domain of our trade. Without adequate return, and practically on the credit reputation she had arrogantly awarded to herself, she was using our money, our banking resources and facilities for her own enrichment out of American enterprise, labor investment and national resources. The German-owned industrial establishments in America, Mr. Palmer has said, were spy centres "filled with agents of Germany, long plotting against the safety of the United States."

The war fortunately brought us exact and valuable

information on this astounding condition of affairs. With the war now at an end we have unfortunately no assurance that we have got to the bottom of the German conspiracy against our business. The billions of dollars of holdings here, which there is good reason to believe are German-owned or German-controlled—not as the legitimate and honest investment or created wealth of the individual German, entitled of course to every guarantee of right of ownership or possession, but the acquisition in the interest of the German State through far-sighted scheming of German Government, German banking system and German industrial system in combination—have not all been seized by our Government. It is difficult to get hold of them, for they have been carefully disguised. We cannot but labor under the suspicion that they are there and that they contribute a continuing menace.

England has enacted legislation to permit a close supervision over aliens who undertake to engage in certain lines of industry and commerce within British jurisdiction and over alien corporations and aliens entering into British corporations. But England's case is different from ours. There was no such proportionate number of German-owned or German-controlled businesses established in England. In fact England had a much larger stake in Germany than Germany in England.

We have in this regard a special problem all our own. The foreigner has had his tentacles right into our vitals. If he keeps them there, or if a new cancerous growth shoots its roots out in a similar fashion, we may not again have a chance to have the danger revealed to us and to be able to eradicate it such as the war provided.



How then are we going to make sure that American industry and commerce will hereafter be kept safe for America? Mr. A. Mitchell Palmer, when this query was put to him, said: "I am inclined to believe that the fact of our exposing and eradicating what I consider to be the great bulk of the German holdings here—we have caught some \$800,000,000 of German property—will act as a powerful deterrent in the future. We have learned our lesson, and it is for us to profit by it. What special measures may be adopted to prevent a recurrence of such an evil of the systematic planting of an economic force in America with the deliberate intention of employing it for attack against our freedom of action, and for the undermining of our ideals and our whole scheme of existence, is, of course, quite another question. Congress will have the say in that matter.

"In England certain bills have been prepared, the aim of which seems to be the solution of a similar prospective problem in that country, such as the Non-Ferrous Metals Bill, which prohibits dealing or trading in metals other than steel and iron in Great Britain except by special license. The special recommendations that may be made to Congress with a like aim have not yet been decided upon."

The State Department has announced that the value of the property seized by the Alien Property Custodian is near \$800,000,000 and that claims of Americans against Germany and her former allies already filed with the Department, total about \$750,000,000, with some further claims still expected.

"The Department," it was officially stated on March 8, 1919, "for several months has had a large force engaged in the compilation of American losses, which have

been reported to it in response to published requests for a very brief statement of losses or injuries of Americans attributable to the enemy. Opportunity for a more formal detailed statement of these claims will be given later when the new regulations for their submission are prepared.

"The claims are divided into two classes—those arising from submarine warfare, and those attributable to other acts of the Central Empires.

"Included in the items comprising claims growing out of submarine warfare, are losses alleged for death and injury of American citizens; losses suffered in the destruction of or damage to American vessels; losses suffered in connection with American cargoes in both American and foreign bottoms; the loss of much valuable personal property other than cargoes, and many miscellaneous items of loss and injury.

"The losses due to other acts of Germany and Austria-Hungary include destruction and requisition of American property in both enemy territory and territory occupied at various times by enemy forces. American citizens and concerns at the outbreak of the war had about \$300,000 worth of property in enemy countries, and those which have been under enemy occupation. Heavy losses have resulted in connection with this property due to war measures taken by the Central Powers.

"The American claims in number will run well into the thousands."

The general public, distracted by the succession of spectacular events in the great cataclysm of the last five years had not, seemingly, been impressed by the revelation of conditions unearthed since the office of Alien Property Custodian was created. It was doubtful even



if the business men of the country had given adequate attention to the seriousness of the danger that threatened the country as a result of the hold which Germany had obtained on its industry and commerce. And yet, without a certain amount of public interest in the matter, the remedies which the situation demanded might be overlooked or very imperfectly applied. For peoples had short memories and the abject attitude of Germany might make us minimise her past offences, if not condone them somewhat. Mr. Palmer, realising the true condition of affairs, had repeatedly invited public attention to the subject and had emphasised the importance of the whole country being alive to it. Germany had entrenched an industrial and commercial army of invasion in this country, and we were not yet wholly rid of it. German industrial penetration had been "a knife at the throat of America."

With an investment of only \$46,000,000 Germany had gained an important measure of supremacy in the world's metal markets, and had thus become a menace, not only to the trade, industry and commerce of all the other nations, but to their very independence. Germany had implanted in America one of her pivotal organisations for the control of the world's metal markets. The American Metals Company was the heart of this organisation, cloaked to some extent by a complexity of incorporations with stock ownerships difficult to trace. From this company there ramified a score or more of branches reaching out for some measure of control of, or special interest in, the American markets in gold, silver, copper, mercury, tin, lead, zinc, antimony and other leading metals. This German group in America was one of a chain of groups around the earth, giving to Germany a certain

primacy in the markets for all the more valuable metals which in turn must ultimately assure to her a domination over the world's markets for steel and iron, since these to-day are dependent on the more valuable metals.

What was true of the metals industries was true also in greater or less measure of all the principal lines of industry and commerce of the United States. Mr. Palmer found that the great German army of industrial and commercial invasion, comprising some 200 principal companies, "ran the entire gamut of American industries."

The great German industrial and commercial structure built up in the United States in the last twenty-five years and reaching out also over Porto Rico, the Virgin Islands, Hawaii and the Philippines, was growing in recent years at an enormous rate and when the war began had reached, Mr. Palmer stated, a present money value of nearly two billion dollars and a potential economic and political value of many billions more.

The German interests of the American Metals Company and of other affiliations of the German Metall-Gesellschaft, "which for some years had dominated the entire metals market of the world," were taken over by the Alien Property Custodian, who has stated that these firms had managed during nearly three years of war to get such vast amounts of metals into Germany as to furnish an important part of the strength which enabled Germany and her allies to maintain their fighting power. He also found that stocks of copper had been accumulated to be sold to Germany after the war.

"Germany had aimed to control our plants that were essential for our work," Mr. Palmer said. "Great steel and iron mills were sending their profits out of America



back to Germany. Great woollen mills in New Jersey were pouring their dividends into coffers in Berlin. Great metal, mining and mineral companies all over the United States, owned or controlled by the Germans, were working, not for the United States, but for Germany. And these German industries established here, drawing on American labor and operating usually with American funds obtained on credit, were not merely an economic injury to this country; they were also an enemy spy system in our midst aiming at our destruction.

"Down in Florida," Mr. Palmer went on, "the harbor not far from Pensacola, known as St. Andrew's Bay, perhaps the finest harbor in the Gulf of Mexico, and the nearest one on American soil to the Panama Canal, proved, as a result of our investigations, to be controlled by German money. The Germans had bought thousands of acres of land, and had incorporated the German-American Lumber Company, the ownership of which was vested in a member of the German Kaiser's family back in Berlin, who had never put a foot on it. They had poured millions of dollars into the property, had built a fine wharf, had purchased the right of way over all lands leading to the shore, so that the United States Government itself could not, in pre-war times, have used that harbor for communication with Panama without doing business with Germany. It was from the Foreign Office in Berlin that this property was directed. The people who directed it were the same people who had constructed, in those islands of ours of such vital strategic importance to us, the Virgin Islands, formerly the Danish West Indies, a steamship terminal for the Hamburg-American Line, with a solid masonry structure extending for ten feet around it, recalling the big gun emplace-

ments the Germans had in peace times built in France on properties they had secured for commercial purposes.

"Let us keep St. Andrew's Bay in our minds, as an object lesson of the highest importance. Let us not forget that Germany had planted her spies in the Pittsburgh industries, in commercial and transportation enterprises in New York, in Chicago, in the West and indeed all over the country, and that when she unloosed war against the freedom of the world, and before we entered the conflict, she began actually to wage that war in part on our own soil, through her agents and her forces in those great industries, and that she was waging that war no less against us than against her avowed adversaries. If we keep this in mind we shall be all the more resolute in insisting on cleaning out root and branch the evil growths planted by the enemy foreigner in our land and on making such a clean sweep that neither Germany nor any other power will be inclined again to attempt any similar aggression against our independence and our integrity.

"Stirred by entirely just sentiments of indignation, we shall also be disposed to hold up the hands of the nation's spokesmen in Congress in formulating the laws that will remedy the present situation and best protect us in the future. We entered the war in behalf of the ideals of Christian civilisation, and we cannot tolerate the foul principles of those who would enslave others being established in our own territory and in our own domestic life. We hope to bring America, and all that America means, to all the world and to see the ideals for which America stands spread around the globe, liberty for every one everywhere, liberty, national and individual, so that America will be the symbol of peace, of welfare and



happiness for mankind. Accordingly we must do well, and to completion, the work of destroying the enemy incubus and spy system to which we have set ourselves."

In order that there might be accurate and general understanding of the scope of his work, Mr. Palmer desired to draw attention to the fact that he was rooting out only such enemy alien interests in American industry and commerce as could be regarded as strictly foreign and corporate and as representing part of the systematic and hostile encroachment of a foreign state on American rights and economic well-being. Thus, although the property here of individual alien enemy investors might be under sequestration by the Alien Property Custodian, it was not his purpose to confiscate that property, or to dispose of it to American citizens by sale, unless it could be shown that such property was held under the control of, or in the interests of the hostile State.

American business men, it would seem, are alone qualified to handle this problem in an effective way. They are in the best position, if they will unite for the purpose, to learn the facts, to watch developments where their suspicions are aroused, to build up a body of information by comparing notes. With the co-operation of the banks and of the governing authorities, they would constitute the most valuable means of warding off the alien danger. Political influence, diplomatic susceptibility and the thousand and one influences and motives that make it difficult for Governments to render adequate service in such matters would thus be obviated.

American business men can lead also in the establishing of a new world code of business morality. They might be the promoters of a Commercial League of Nations to codify and uphold commercial laws, to pro-

claim a Monroe Doctrine of Commerce, to throw up a barrier against all those whose designs are inimical to commercial honesty and rectitude. As they develop the get-together habit and as leaders come forth to blaze the way, there is every reason to expect that trade and commerce will be elevated to a new plane and that conditions will be created conducive to permanent peace and to world welfare.

In the preparing of the new framework of civilisation America is summoned to the position of leadership.



# PART III

## WORLD PLANS AND FOREIGN TRADE

### CHAPTER I

#### EUROPEAN OUTLOOK ON THE NEW ERA

**Old Individualistic System of Trading Has Gone—Governments Will Participate in Industry and Trade—Self-Sufficiency as a Political Necessity—Control of Materials—Protection of Key Industries—General Agreement Reached at Paris Economic Conference.**

THE striking fact manifested in all discussions on reconstruction in the countries that have recently been at war in Europe is that it is realised that the old individualistic system of trading cannot be continued as in the past. Governments hereafter are going to take part in trade and industry. Most of them feel that they are forced to do so in order to be able to pay for the war.

All the nations have had it brought home to them how perilous it is for countries to be caught unprovided and to be wholly dependent on other countries for the essentials in the way of raw materials and products needed for vital industries. They have realised, consequently, that it is incumbent on them to aim at economic independence and for this purpose, and as a political necessity, to strive to assert and to maintain their own "self-sufficiency" and to control as far as possible the raw materials which

they most vitally need and to protect those "key" industries on which the production of materials for war making and of materials essential to the life of the State may depend.

When the armistice was signed, the war had already added new debts of some \$145,000,000,000 to the obligations of the principal European nations which had engaged in it, Great Britain, France, Italy, Russia, Germany and Austria-Hungary. An examination of the detailed figures would indicate that Great Britain was the heaviest loser in this regard and Germany the next with respectively 37 and 36 billions of dollars of new debts. The figures for both countries, however, comprise loans made to their allies and stocks of war materials utilisable in peace to the value of many billions of dollars. France appears in the list with a new debt of 24 billions. As a matter of fact it is declared by the French authorities that the war imposed on France, not merely the greatest sacrifices in blood and in property, but also the most crushing financial burden. Her war expenses are expected to reach \$36,400,000,000 and, in addition to this, her exceptional expenses arising out of the war are estimated at 5 billions more. As against this total of \$41,400,000,000, the resources of France are placed at only \$31,600,000,000. Italy's war debt of \$9,250,000,000, if added to her pre-existing debt of more than \$2,750,000,000, makes a total representing two-thirds of her entire national wealth. One of the chief after-war problems of all these countries is to devise means of relieving themselves to some extent of these staggering burdens.

The measures to be taken in the period immediately after the war by the Allied countries were outlined in the



Economic Conference at Paris of June, 1916, when the Allies agreed to concede to each other prior claims on materials needed for reconstruction and to share their natural resources among themselves, in preference to other countries, during the whole period of commercial, industrial, agricultural and maritime reconstruction following the war, and to fix a time during which in a concerted manner they should defend their commerce, industry, agriculture and navigation against dumping and other unfair methods of competition. During the period fixed the commerce of Germany and her allies was to be submitted to special treatment, and goods originating from them to be subjected either to prohibitions or to special methods of control. The agreement, although accepted as having a certain binding force, was never formally ratified by the legislatures of the various nations which had been represented at the Conference. The policy of imposing even temporary economic restrictions on Germany and her former allies was opposed by the American delegates to the Peace Conference.

A review of the ways in which other leading countries are facing the new outlook and of the means they are considering or putting into effect for adapting themselves to the changed conditions and for turning to advantage the commercial opportunities that are in sight may serve to clarify our own views and to guide in the drawing up of plans. Henceforth other peoples' problems are ours as well.

## CHAPTER II

### GREAT BRITAIN

**Extensive Plans Already Matured—Ministry of Reconstruction Has Started New Era Projects—Combinations in Banking and Industrial Corporations—Report of Committee on After-War Policy—Government Assistance to Certain Industries—British Labor Party for Nationalisation Scheme.**

NONE of the European countries appears to have elaborated such extensive plans for the new period as has Great Britain. That country established a Ministry of Reconstruction to deal with the main problems. Various committees under its direction have been investigating in the home field special questions of commerce and production, including the supply of materials; finance, shipping and common services; labor and industrial organization; rural development; machinery of government; health and education; housing and internal transportation. The Ministry is assisted by an Advisory Council with regard to the international aspects of trade; its work is chiefly delegated to its committees which have taken up and reported in detailed fashion on questions of raw materials, financial facilities for British commerce, the preservation of essential industries, combinations and trusts, the establishment of new industries, the development of foreign markets, improvements in trade organizations for the purpose of more economical production,



distribution and marketing. This Ministry has already undertaken an important scheme of rural development, building light railways through the country districts and utilising for the purpose great quantities of railroad material used by the British army in France.

Great Britain also established a new Department of Overseas Trade, also known as the Development and Intelligence Department. It is jointly associated with the Board of Trade and the Foreign Office and corresponds in its functions to the Bureau of Foreign and Domestic Commerce of the Department of Commerce in the United States. The Overseas Department has introduced reforms in the consular service and has planned the extension of the service of trade agents and constitutes practically a Department of Commerce and Industry under the Board of Trade and the Foreign Office.

Great Britain, also through the Board of Trade, has introduced important measures providing for changes in trade mark and patent legislation, to eliminate the abuses which had been committed by foreigners, and particularly by Germans.

An act was passed by the British Parliament in 1917 called the Companies' Act, which imposes registration of the real names and surnames, nationality, nationality of origin, usual residence and other business occupations of directors of all companies registered in Great Britain, or with an established place of business in that country, and doing business under names other than their true names. This measure was intended to prevent the foreigner surreptitiously getting a footing in British industry.

The British Government also has given detailed attention to the question of technical education, and the Board of Education has established working plans for promot-

ing industrial and scientific research. Parliament made a grant of one million pounds sterling to be expended for industrial and scientific research and plans are being made for developing in Great Britain science and industry according to the most modern and approved methods of superior education. The German method of pursuing scientific research and experimentation, not in a principal way in the laboratories of colleges and universities, but in the manufacturing plants throughout the country, will also be followed in Great Britain, and indeed by the nations generally.

British joint stock banks have shown a disposition to concentrate and amalgamations have been effected bringing into eight groups the joint-stock banks which had controlled about eighty-five per cent of the total deposits in the commercial credit banks of this class. The tendency is also seen in other countries. How Germany led in the development and concentration of credit banks has already been described.

Important combinations were also effected in the Sheffield steel industry and in the brewing and brick manufacturing industries and others were quickly brought about in the industries which undertook to manufacture the products which had formerly been received from Germany and other enemy countries.

By Royal Charter on April 21, 1917, the British Trade Corporation was organised, with a capital of £10,000,000, to assist British industry and trade in connection with new overseas undertakings, contracts and obligations, in somewhat the same manner as the German industrial banks had been able to do under Government direction. The Corporation is authorised "to obtain and work concessions" and "to acquire and develop re-



sources" in any part of the world. A Portuguese branch of this Corporation has been formed for the control of the trade of the Portuguese colonies.

An organisation known as the Federation of British Industries had previously been founded to assist the Government in framing industrial legislation, in studying labor troubles and in promoting British trade interests by organised effort. The interests of capital and labor are considered unitedly, with the obvious and entirely modern and desirable plan of treating them henceforth as an indivisible whole in industry and commerce.

The British Empire Producers' Organisation was established for the purpose of bringing about the economic self-sufficiency of the British Empire and of promoting the development of Imperial resources to this end, or in other words of "organising British industries on an Empire basis."

In 1917 the British-Italian Corporation was founded to promote closer trade relations between Great Britain and Italy. It is expected that this Corporation will prevent the Germans from again dominating in the industrial life and commercial finances of the Italian peninsula.

The Committee on Commercial and Industrial Policy After the War was the title of a very important investigating body, at the head of which was Lord Balfour of Burleigh. It was appointed in July, 1916, and has already rendered a report to which much consideration has been accorded in Great Britain.

The Committee had, among its many functions, to investigate,—1, the industries which were essential to the safety of the nation and the steps to be taken to main-

tain or establish them; 2, the measures to be adopted to recover domestic and foreign trade lost during the war and to obtain new markets; 3, the extent and the means by which the resources of the Empire might be developed; 4, the extent and means by which the sources of supply within the Empire could be prevented from falling under foreign control.

The Committee in its report draws attention to the fact that, in the decade immediately before the war, British industry, "in the long-established manufactures, with the important exception of the steel and iron trades, had shown great vitality and power of extension, but that in the rise and expansion of the more modern branches of industrial production the United Kingdom had taken only a limited share." The war, however, had forced the development of great branches of industry covering fields in which the United Kingdom had been more or less deficient, and this was recognised as an important gain for the future.

With regard to the question of government control, the Committee reported that, while it recognised that it would be necessary to continue for some time after the war some portion of the control of home and foreign trade imposed during the war, in order particularly to secure to the country adequate supplies of foodstuffs and raw materials for industry and their distribution, it recommended that the restrictive measures should be kept within the narrowest possible limits and that wherever practicable the trades concerned should be entrusted with the working of the control under government authority. The committee expressed the opinion that the control of, and restrictions upon, industry arising out of war conditions would be found detrimental under normal con-



ditions and should be removed as soon as possible after the conclusion of peace.

It intimated also that any attempt to make the British Empire self-supporting in regard to all the raw materials for which it depends on foreign countries would be neither practicable nor economically sound, and it recommended that a selective policy be adopted which should have regard to the relative importance, industrial or military, of such raw materials and to the source of supply and the likelihood of their disturbance in time of war.

The subject of the essential industries was treated by the Committee in a special advanced report which covered "key" or "pivotal" industries concerned with the following production: synthetic dyes, spelter, tungsten, magnetos, optical and chemical glass, hosiery, needles, thorium nitrate, barytes, limit and screw gauges, and drugs. As a basis for recommendations on the subject they advanced the general principles that "a particular commodity or branch of production which is of great national importance at a given time may not continue to be so," that "the causes which have rendered British trade dependent upon the present enemy countries for the supply of particular commodities are by no means uniform," and that therefore special and separate consideration should in the future be given to the study of the essential industries and the production on which they depend. For this purpose they recommended the establishment of a special permanent board to watch the course of industrial development and to work out from time to time, when necessary, detailed schemes for the promotion and assistance of industries concerned with the production of the special commodities indicated in the report.

With regard to the treatment of aliens in commercial

and industrial undertakings, the Committee did not believe that it would be necessary or practicable, except for a limited period in special cases, to attempt to prevent enemy subjects from establishing agencies or holding interests in commercial or industrial undertakings generally in Great Britain.

On the subject of the establishment of trusts and combinations the Committee held that the increasing intensity of foreign competition and the revision of British industrial and commercial methods made it important that the individualistic methods hitherto enforced should be replaced by co-operation and co-ordination in regard to securing supplies of materials, in regard to production and in regard to marketing and merchandising. The Committee believed that it would be inexpedient for the Government to enter on any policy aiming at positive control of combinations in Great Britain, but that it would be desirable to have some government department provided with information in regard to combinations, and that investigation by the State should be resorted to in special cases. The Committee was of the opinion that, where necessary, combinations should be legalised so as to be enforceable between members.

Dealing with financial facilities for trade, the Committee opposed the establishment of any special State institution for the purpose of financing trade and industry, believing that under normal conditions the financial needs of British industry are likely to be attended to in a more satisfactory way by private banking enterprise than by a State controlled institution.

The Committee, on the question of tariff reform, proposed as a basis for the future economic policy of Great Britain the following principles: 1. Government en-



couragement for industries of a "pivotal" character, or for those of military importance but not of sufficient commercial importance to be developed without State assistance. 2. Government assistance to other industries which are important for the maintenance of the industrial position of the United Kingdom but which need such assistance on account of undue foreign competition, inadequate supplies of raw materials or any other cause. 3. A serious attempt to meet the wishes of the Dominions and colonies for the re-adjustment of their economic relations with the United Kingdom. 4. An effort to develop trade between the British Empire and the Allies. 5. At least temporary discrimination against Germany and her former allies in the matter of trade with the British Empire.

In conjunction with the Ministry of Reconstruction, the Local Government Board has undertaken the work of constructing 100,000 houses for returned soldiers, of building model towns, of replanting forests, of developing transportation and electrical supply and of improving dwelling conditions, health and education.

From Great Britain came the proposal for an International Labor Commission, with representatives of both capital and labor of the great Powers, to handle labor problems internationally—such as right to organise, hours of labor, minimum wages, child and female labor, insurance and the settlement of labor disputes.

British labor is highly organised—with more than 4,000,000 members in the Trade Union Congress and nearly 1,000,000 in the General Federation—and it is resuming its important political, social and economic in-

fluence which was left practically in desuetude during the war.

In consequence of increasingly vigorous agitation on the part of labor, various expedients have been resorted to by the British Government to maintain industrial peace. The so-called Whiteley Councils—industrial committees of employers and employés in individual businesses, organised in accordance with the recommendations of the Whiteley Committee in the House of Commons to consider and settle amicably the questions arising in the particular business—did not produce any notable results, due, it has been stated, to the fact that existing forms of factory organisation, including the “shop steward” system, militated against them. What has been regarded as an important step towards the harmonising of the interests of capital and labor was the convoking by Premier Lloyd George of the British “industrial parliament.” Three hundred leading employers were summoned to sit in session with 500 labor delegates, representing, it was said, about 10,000,000 British workers. The Premier directed the session and arrangements were made for the formation of committees to investigate and report on questions that have in the past constituted the subject-matter of irreconcilable contentions. High hopes are founded on the “industrial parliament” in view of the fact that the employers and labor delegates composing it revealed in its first session a markedly conciliatory attitude.

In behalf of the British Labor Party, which constitutes the political representation of more than 3,000,000 union workingmen, Mr. Sidney Webb and other party leaders have drawn a labor platform. Home rule and public ownership are among its key-notes—nationalisa-



tion of lands, railways, mines, electric-power plants and the like, government ownership and control of public utilities, and home rule for Ireland and for the other integral parts of the British Empire. It advocates free trade, the minimum wage, public work or maintenance for the unemployed, a steeply-graded income tax with an initial levy on capital and the reconstitution of society on a socialistic basis. Its hope is to establish in England "a healthy, unified and contented society."

Labor has not at present the direct power in the British Parliament to warrant the expectation that its programme can be forced into adoption.

## CHAPTER III

### FRANCE

**Reconstitution of Devastated Territory Is Chief Concern—Labor Disturbed by Syndicalist Doctrines—Project of National Economic Council—America Regarded as "Guardian Angel"—Expectation of Co-operative Service—The Principal Needs of France—Government Proposes National Federation of Employers.**

FRANCE, in her urgent need of attending to the reconstitution of her devastated territories and of her ruined industries, has not had occasion to go as deeply as England has done into detailed plans for economic reconstruction and preparation for trade, domestic and foreign. Apart from rebuilding in the ruined sections, her plans generally have dealt with such questions as the installation of water-power plants and the development of railway and waterway transportation and colonial developments.

The French State itself has done less in regard to the laying of detailed plans than have certain private organisations, such as the Association Nationale D'Expansion Economique, which has been preparing an economic survey of the country, and the Comité Républicain du Commerce, de l'Industrie et de l'Agriculture. These bodies have been formulating the views of commercial, industrial and agricultural organisations with regard to the changes in the economic structure of the country



brought about by the war and preparations for the future. Other associations are preparing for the protection of French products and for the improvement of riverway transportation, particularly of the Rhone River from Geneva to Lyons, while the Finance Department is considering the revision of customs tariffs, and the Department of Commerce has a staff of experts working on economic problems.

France still suffers in her whole national life from the terrible wounds of the war and has reason to be aggrieved at the knowledge that, in comparison, Germany is unscathed and relatively prosperous. The French feel that their claims on the Allies as a body are paramount and that aid must be furnished to them from every quarter where it is available for the purpose of restoring to France an opportunity to start off again on independent national life so that the heroic Republic may not incur the danger of weakening economically and going down into the ranks of the minor nations. French economists have long felt that in compensation for the great loss of French lives—more men of France were offered up in the bloody sacrifice than of Great Britain, Italy, Belgium and America together—and the appalling destruction involved in the fact that France was made the principal battleground of the war, her co-belligerents who escaped similar disaster and who owed their salvation to the self-sacrificing stand which France had taken, will consider a practical measure of pooling of resources of every kind and will recognise the right of France to a prior claim on them.

Labor in France had been to some extent affected before the war by the revolutionary doctrines of the "Internationale," which was fostered by the German

Government for the purpose of weakening France. The unpatriotic demeanor of the Syndicalistes still continues as a baneful influence. Labor agitators, advancing quite commendable doctrines to the effect that workers in the future should not agree to continue the form of life which had existed before the war and have a right to participation in the direction of affairs in which their share is an essential one, have been expanding these doctrines into more or less subversive principles.

The French Government is planning to check movements of this kind, and to organise labor for its own benefit, so that it may see where its best interests lie and may aim at changes which are of benefit to the workers without being of evil effect for the whole nation, including the workers. The "moderate" workers of France have formulated a programme demanding the establishment of a minimum wage law and of an eight-hour day, the maintenance of wages that will warrant a satisfactory standard of living, legislation to prevent labor from being treated as a commodity and from being detrimentally affected by the influx of foreign workers.

The French General Federation of Labor has petitioned the Government to establish a National Economic Council, to be composed of manufacturers, workers, farmers, technical advisers, Government representatives and legal and economic experts. This Council would have as its purposes to improve the economic condition of France and to develop and co-ordinate the nation's productivity.

One of France's most serious problems, apart from the restoration of her devastated territory, is the repression of undisciplined agitation under the guise of labor movements and the settlement of labor questions.



In March, 1919, the French Minister of Commerce announced that he was instigating the organisation of French employers into a national federation. Business men in France, divided into twenty groups, had been organised only in a multitude of small associations. Some 5,000 of these had a membership of 400,000. Through lack of any centralising body the employers were at an acknowledged disadvantage when confronted with organised workers. The French General Federation of Labor has been powerful through its controlling leadership with a machinery for exerting political influence and for enforcing its demands. Despite the known socialistic tendencies of government in France for years past, the Clemenceau administration decided that it was not for the benefit of the country that one element of industry and commerce should have an undue domination and that, as the employers had failed to organise of their own initiative, the Government would urge them to do so and direct them in the process.

With regard to reconstruction generally, France, as has been said, counts on foreign assistance, and in particular on that of the United States. M. André Tardieu, French High Commissioner to the United States, has stated briefly under five heads the forms of aid which France expects from this country: help of our military organisation in clearing territory of the ruins of war; supply of materials; machinery for industrial plants; credit to cover importations, and ships to be chartered to France to enable her to restore the interrupted commercial service of the country.

The United States is now "l'ange gardien," the guardian angel, on whom France has come to rely. The action of leading American business organisations in

extending the hand of friendship to France has called the French chambers of commerce to new life and activity, and has smoothed the way for the creating of commercial and industrial associations in France to aid in planning and carrying out the campaign of construction. The American Industrial Commission to France of 1916 outlined the principles on which American co-operation could be based and the French governing authorities expressed hearty approval of them and have been counting on their establishment and on the action and benefits to accrue from them.

"We have come," said Mr. W. W. Nichols, Chairman of the Commission, addressing the French Reception Committee when the Commission landed at Bordeaux, "as a group of American business men with a vision—to do what we can to promote commercial reciprocity. How can we serve France? If we know that, then we are in a position to help mutually. We are here to offer our services. Tell us your needs and we shall exert our best influence in filling them. We have no other aim. We are not looking for mere selfish commercial expansion. We seek primarily the opportunity to be of assistance and then desire to study with you the way in which America can further aid and promote commercial development with France.

"The exigencies of war," he continued in substance, "at present leave the trade balance against France with a vengeance, and this harms our Franco-American relationship. We want to help in righting this unequal condition of affairs as soon as possible.

"This is the policy we propose to recommend to our people. We believe the hour has come when those interested in international commerce must acquire a new and



more exalted notion of the obligations which their relations with foreign countries impose. We feel that the merchant and manufacturer-exporter should become penetrated with the feeling that their first aim should be, not the acquisition of gain, but commercial service carried out in such fashion that it will be of the greatest benefit to the customer nation they serve as well as to their own nation, and consequently to themselves. Far from wishing to profit by the difficulties in which France now finds herself, we are anxious to serve France and so to conduct our business relations with France that the result will be mutually and reciprocally beneficial to France and to the United States. Our ideas in this regard may be more specifically expressed by stating that America, on account of her special natural resources, is in a position to produce and to furnish certain articles and commodities, while France on her side, on account of her artistic nature, long in the making, and the high intelligence and business equipment of her people, is peculiarly qualified to produce and furnish products of a different kind.

"It must be our aim to supply to France our special products and to accept from her in return her distinctive products and, desirably, as nearly as possible of equal value. We should not seek to interfere with industry peculiar to France, and France should not plan a fierce competition with us in regard to products which are in a peculiar way our own. The feeling inspired by such a rivalry will frustrate the promotion of better things. The only information, therefore, which we seek is how we can render service to France for the reconstruction of her devastated territory, for the supplying of her industrial needs and for the creation of new enterprises

which will further the economic well-being of the Republic."

The French welcomed this announcement, which took due account of the pride and *amour propre* of a great nation, since it was a plan for mutual aid, and they proceeded to organise commissions and to formulate arrangements for national development when the day of peace should come. They rejoiced at the prospect of an entirely new spirit being inspired into the old methods of commerce. They knew that commercial greed was the root of the evil which precipitated the war of world-wide devastation, that America was, after all, in the war with the expressed purpose of changing for all time the conditions which led to the war, of supplanting might by right, of replacing rapine and terrorism by fair and honest principles of international relations, and that to attain this end it would be essential to wipe out old iniquitous principles of commerce and to put fair dealing in the place of selfish highhandedness.

Foreign trade, the French had always insisted, implies exchange, not exchange of products for money only, the mere medium of exchange, but of products for products, natural, industrial or their equivalent in services, that they who sell should also buy, and they always resented an unfair attitude in this regard by others. Thus it had unfortunately happened that owing to the special character of the laws and prescriptions which regulated the tariffs imposed by the United States, and owing to unscrupulous practices by traders operating from America, the French had considered that they were not equitably treated, and they denied to the United States the privilege of the most favored nation in the matter of imports. Indeed, America alone of all the great nations



had found an extra tariff barrier raised against her exports to France, the duties on some American wares being double what they were on similar goods imported into France from other countries. This is concrete and practical evidence of the need of embarking on new lines of international business policy.

France has been getting ready; the big work is still ahead.

The needs of France, which can be filled only from the United States, are on such a vast scale as to make heavy demands upon the industrial and manufacturing possibilities of this country for several years. Thousands of towns and villages have been destroyed and a rich and prosperous territory made worse than a wilderness. Not merely raw material—lumber, brick, steel and iron, cement and the like—will be needed from the United States, but also much that enters into the reconstruction of buildings and the equipment of centres of population. In the war zone more than a score of different kinds of textile industries, as well as agricultural, mining, metallurgical, mechanical and electrical industries, had before the war engaged the activities of some 2,000,000 workers and had produced products of an annual value exceeding two billion dollars. From America must go the bulk of the raw materials and the finished machinery and manufactured articles that will be needed if these industries are to be replaced.

The French Minister of Industrial Reconstruction has stated that the restoration of the coal and industrial districts of the Departments of Nord and Pas de Calais will cost at least \$15,000,000,000.

Throughout the rest of France the need for the supplies which only America can furnish is hardly less than

in the war zone. Plans have already been made for the installation of hydro-electric plants of approximately 750,000 horse-power, and a further installation of 3,000,000 horse-power is intended. The mechanical industries to which this power will be applied will make demands on the United States for many kinds of machinery in great quantity.

France is confronted with a serious shortage of manual labor. Her industries to-day are short of millions of men, and it will be impossible for her to continue to depend upon female labor as a substitute. Female labor has been saving the nation, but it can be only a temporary expedient, restricting the progress of France in other ways while it lasts. So impressed was the French Government with the gravity of this situation that at the outset it constituted the principal reason for the invitation extended by the Government to the American Industrial Commission to visit France, the need for labor-saving machinery and devices being imperatively urgent. Services in practically every domain of modern human effort will be needed by France from the United States. Indeed there will be similar need on the part of Belgium, Italy, Serbia, Roumania, and to a minor extent by other countries.

Taking the only proper view of Europe's expectations from America and regarding the situation not as opportunity for commercial gain but as humanity-service, one is almost appalled at the weight of the burden which is about to be thrown on all the industrial, commercial and service resources of the productive brains and of the skilled labor of the United States.

It is with regard to France that the first steps must be taken and the course followed in her case will almost



certainly be the course to be pursued with regard to the other countries.

The practical upshot of the discussions between the American Industrial Commission and the French was this: Commissions representing the various groups of industries interested in the work of reconstruction and industrial upbuilding in France should go to that country to investigate conditions in detail on the ground, and to negotiate with the French regarding the services to be rendered; commissions of French business men should come to America for a like purpose. The French Government agreed to lend its most energetic co-operation to the work.

## CHAPTER IV

### ITALY

**Restriction of Emigration—Intended that Italian Workers Going Abroad Shall be Skilled—Industrial Development in Italy—Declaration of Rights by Business Men—Industrial Association Issues Proclamation—Capital Will No Longer Tolerate Unequal Conditions—Italy an Inviting Foreign Market—Danger of German Penetration Again Threatens.**

ITALY is among the countries which, before the war ended, had been making elaborate plans for the after-war period. A Government Commission, divided into seven committees and presided over at its main session by the Italian Premier, Signor Orlando, had worked out important plans with regard to the following subjects: labor; public works; the organising of credits; technical, mechanical and artistic education of the people; the development of communications and transportation; social, political and economic reforms.

It is interesting to note that the committee which had to do with labor rendered a decision, which later received general endorsement, that henceforth Italian emigration must be restricted. Italian workers, according to the plans advocated, must hereafter obtain permits to go abroad. The committee stated that all Italians were well aware of the fact that the prestige of the kingdom had not by any means been enhanced by the class of



Italian labor which went to foreign countries; that, as a matter of fact, the country was often judged from the poorest of its citizens who in foreign countries labored at the humblest kind of unskilled work or earned a living with street organs. Hereafter, it is proposed, the Italians who go abroad shall not be destined for sewer digging and road grading.

Before he can receive a permit to emigrate, the Italian, if the plan is carried out, will have to qualify as a skilled worker. For this purpose institutions are to be founded in Italy where the men shall receive technical and mechanical training. A central organisation under the direction of the Government will handle the entire question of emigration and it will have bureaus established throughout the kingdom where all details will be available for the emigrant regarding foreign countries, rates of labor and social conditions, and where from time to time workmen may receive permits to go abroad.

Before the war the number of Italian subjects in foreign countries, as estimated from the Italian Emigration Division's statistics, was approximately 7,000,000, including women and children. Forty-eight per cent were in South America, thirty-two per cent in North America, sixteen per cent in Europe, three and a half per cent in North Africa. The adult males under 55 years of age were placed at slightly over 1,000,000. About one-half of these returned for the war, leaving some 500,000 able-bodied Italians abroad, of whom about 370,000 are laborers. The war not only stopped the outflow of Italian laborers; it also rectified to a considerable extent the Italian economic balance by bringing home one-half of the valid workers.

The same committee, dealing with labor, has further

proposed the introduction of reforms which are intended to make working conditions in Italy far more attractive than they have been in the past, the workers to have facilities for training not merely in the trades, but also in artistry, so that their work may be of a superior kind. Plans are also made for State insurance and protection of the workingmen's families on the general principle that the State must continue to do for the citizen and his dependents what it showed it could do for the soldier and his dependents during the war.

The war brought to Italy a very notable industrial development, and an important industrial organisation has resulted from it which is expected to be of great benefit in establishing Italy as a centre of production in the future. The mining and mineral industries, producing iron, copper, antimony and mercury, were developed in a notable way to satisfy military needs. There was also an extensive growth in the metallurgical industry, in spite of the enormous increase in the price of coal and the difficulty of getting steel and iron from abroad. Manufacture of war material, guns, projectiles, naval equipment, took on a feverish activity during the war. The production of automobiles in a great variety of types was also a notable development. The textile industries, cotton, wool and silk, went ahead progressively, as did also that of tanning and shoemaking. Chemical industries, particularly for production of explosives, saw a very notable development, and many new forms of chemical products were made in Italy, and it is expected will continue to constitute industries for that country.

The Government operated more than a thousand main and auxiliary factories with some half million working-



men and more than 100,000 women. These factories produced artillery, aeroplanes, automobiles, bombs, cartridges. More than 400 factories produced explosives, chemical products and mining and extractive industrial products. Besides these, 1,500 factories were devoted almost in their entirety to the production of projectiles. Italy's industrial motto at this time was "Produce much, produce well, produce cheaply."

Italy is all ready for work in the new period and is anxious to grow to be the great power which her present position by the side of the United States, England and France warrants her in feeling confident she is entitled to be. She seeks colonial expansion so that her workers, if they do emigrate, may be able to go where they will still be Italian citizens. In a confiding, even touching, way she appeals to the United States for the help on which she has been counting from this country.

America has raw materials and has the financial strength to help Italy and Italy has been petitioning this Government to send to her a commercial attaché as well as American trade commissioners to study with her the commercial needs of her people, to plan the assistance which the United States should render to her and to outline a system of foreign trade relations which would be of benefit to both countries. She has the labor and skill and the energy to become great commercially if she will but be provided with the materials and with the financial aid which the United States can provide.

Italian manufacturers and merchants are making a vigorous bid for better treatment not only at home, but also in foreign markets. Tired, as they declare themselves to be, of misrepresentation of their products and of the credit barriers which have been raised against

them, they decided on organisation and have taken the bull by the horns and have demanded that their Government join them in insisting on the rights which belong to them in the world's commerce.

Many Italian manufacturers found themselves entangled in German commercial banks, often without knowing beforehand that the bank had any foreign connection whatever. It was a shock to the entire Italian nation when, after it entered the war, it learned that the best-known commercial bank in the country was, as far as control was concerned, practically a German institution. Some of the smaller private banks were openly German, but most of them had Italian, French or English names.

American tourists will recall their surprise at the courtesy of the German or Swiss hotelkeepers in the principal cities and resorts of Italy who recommended them to nicely kept little banks, usually one or two flights up in the building in which they were located, where they were amiably received by clerks who spoke English with a quaint cockney accent, and where they obtained better rates of exchange than the Italian money-changers offered. The tourist indeed will recall that during his stay in Italy he had remarkably little direct intercourse with Italians, not only his hotelkeeper and waiters and chambermaids being foreigners who spoke more or less English, but also the guides who took him to the churches and the museums, the directors of the special music halls to which he was taken and in which German and English acrobats and singers appeared, and even the managers of the slumming places, if he were weak enough to allow himself to be led to such places, and the souvenirs and photographs which he purchased, if they were not actually labelled "made in Germany," were sold to him



by non-Italians. Indeed, usually he left the wonderful land of Italy without a high appreciation of the Italian people. Some one always took occasion to quote to him: "Here man alone is vile."

But now Italy will no longer stand for misrepresentation. The merchants and manufacturers of Italy have started a campaign in behalf of their country and they hope to make the whole world give due recognition to it.

Italy wants help from abroad. From America, as has been said, she desires raw materials for her industries and machinery for factories to render her independent of German or other domination in the future, and expert labor to start these factories and credit arrangements in consonance with her standing as one of the four leading powers of the hour. In obtaining these and the manufactured products for which she furnishes a market, she wishes to be freed forever from the hampering conditions which in the past governed her trade with certain countries. The merchants and manufacturers expect that the Italian Government will formally back them in this effort. They demand new and better conditions in importing products from the United States and other countries, and they demand fair treatment in placing their own products on foreign markets.

This decision was reached in a congress of Italian manufacturers and business men, held under the auspices of the Association of Italian Incorporated Companies, but open to all Italian employers in good standing. The gathering regarded itself as the authorised representative of capital in Italy, and it dealt, not merely with the commercial, industrial and economic needs of the Italian kingdom and the question of foreign markets and business relations, but also of the relations of capital

and labor and of capital with the Government. It intends to see to it that capital, at least in Italy, will get better times, that it will no longer be the sport of politicians and that it will not tolerate from the Government such treatment as it has submitted to in the past. It has mapped out a new direction which it has formally agreed to pursue, and the Association which represents it is the most powerful body in the economic life of Italy.

A proclamation which it has issued is such a striking document—a veritable Declaration of Rights of industry—and covers in such a comprehensive way the main features of Italy's industrial and commercial life, that it will well repay consideration. It furnishes an opportunity to examine in some detail the sentiments, aspirations and plans for action of business as an organisation in one of the great nations.

With the upheaval brought by the war, the proclamation says, old theories, old methods, old dogmas, old ideas are going by the board. This applies to the political and social domains, but far more so to the economic domain. The vital interests of the producing classes in Italy must be recognised to be the vital interests of the nation, and they must be protected against the foreigner with one-sided aims. The German domination kept out of Italy to a great extent the American, French and British traders. Italy must be opened wide to all of them and must also assert her right to enter their markets.

The war has ended the old prejudice which had been fostered in Italy against capital. "For all too long," the proclamation says, "with the psychology of a poor nation, both official Italy and popular Italy held capital in sus-



picion and kept it constantly in a defensive and apologetic attitude. The Government did not dare defend it, and the demagogue had a free hand in arousing the jealous passions of the poor against the rich, of the unfortunate against the producers of wealth." The war has shown what the affiliations of many of Italy's blatant demagogues were, and how attacks on capital and on Italian industries were a part of the German intrigue in gaining economic control in Italy.

While for years in the Italian parliament and on Italian platforms, the Association affirms, one form or other of the sources of national wealth production was under attack by the demagogues, "the nation's best interests were neglected and the foreigner profited of the chance to dump his products on our market and to conduct an underhand campaign to discredit Italian products in Italy and abroad. But for the war this condition would probably have continued till the German invasion of Italy's economic life had suffocated all the initiative and resources of the country's productive capacity."

The foreigner's work it is admitted was aided by errors at home. Capital in Italy, seeing itself the object of so much prejudice and attack, remained within its shell. It kept out of the political field; it did not mingle with the other classes; it did not defend itself; it did not offer its co-operation to the Government. But now capital knows its great power and it is going to use it. It knows that the producers are strong if they work together, and the populace now knows that the condition of the working people can improve only when production improves and is prosperous. The time has come to fix enduringly the happy conditions which the war brought about. Capital, that is the wealth producers of the nation, are deter-

mined to take active part in public life so that they can defend their own interests without leaving their defence to others.

There is to be a new way of merchandising in Italy, not only on the part of the manufacturers and merchants in dealing with the home and foreign markets, but also on the part of the Italian shopkeeping trade. It is by the establishment of fixed prices.

The old wearisome method of bargaining over every sale and purchase between manufacturer's salesman and retailer and between retailer and consumer, with the waste of time and the stirring of bad blood that haggling over the price of everything bought entails, with the seller usually dissatisfied at the profit he has received and the buyer suspicious that even with all his expert trading he has paid too much for the article, must be done away with. The foreigners' stores in Italy, which traded by fixed-price methods, had been reaping the profit of the ill-advised, old-time Italian method, but the people persisted, when dealing in Italian stores, in keeping up the system of bargaining. A well-organised campaign, with an appeal to the patriotic instincts of the people, has been planned to enable the retailers to end for all time the utterly unsatisfactory method which from time immemorial has been in vogue throughout the kingdom.

Hereafter, Italy's business men are resolved, publicity will be invoked, and all efforts that capital may make for its own benefit and that of the nation will be made openly with direct appeal to public opinion, and not clandestinely or with mere appeals to the governing powers. When the campaign is publicly conducted it will be easier to show that there is no antagonism between producer and consumer and that the whole nation is interested in the



same problems. When the public is convinced of this truth it will prevent the repetition of the blunders of yesterday, when parliament, government and public administration gave no attention to the exploitation of the nation's sources of wealth, nor to the development of agriculture on modern methods; failed to encourage the maritime and the mining industries; took no steps for the adequate defence of the economic independence of the nation. Native enterprise got small encouragement. Italy was wide open for German exploitation.

"There is not only no antagonism between our class and the working class," the proclamation says, "but every gain by our class benefits every other class in the country, so that when production is large, profitable wages are paid and money circulates freely, whereas when production is poor and unable to struggle against foreign competition, the working classes are the first to suffer and the whole nation feels the depression."

In the new order of things capital must have a new relation to labor. Capital in Italy is in different condition from what it is in many other countries. In Italy there are no great concentrations of inactive wealth of a feudal type. There is practically no income without work. Italy's business men are hard workers. Capital in Italy considers itself as constituting one of the working classes, and on account of its position it now undertakes to be the first to put the lessons of the new times into force. Capital has the duty and it is to its interest also to insist on the betterment of living conditions for labor, on its technical improvement and moral and intellectual elevation. Capital, therefore, proposes better schools; it proposes insurance against accidents and pensions. Gradually the distance, moral, mental and

economic, between capital and labor must be lessened.

"Our class is not an oligarchy or a closed house; it is open to all, the only requirements being culture and work." Being a working class itself, capital in Italy now desires "tranquil and fruitful relations with the other working classes." To this end it demands that the law make labor contracts more rigid and binding, and that it determine specifically the rights and obligations of both parties under such contracts. In this way only can strikes and lockouts be made an impossibility in the future.

The relations of industry and agriculture in Italy have long been misrepresented and misunderstood. There is really no antagonism between them. They should unite in working for the economic independence of the nation. "Their motto," the proclamation says, "should be: 'Let Italy suffice for herself; let her be removed from dependence on the foreigner; let her be put in a position to compete with the other nations in the international markets.' " Agriculture, therefore, must be fostered. Modern machinery and implements must be obtained for it and modern methods applied. Transportation facilities must be provided as well as suitable markets, and arrangements made for financing the farmer and his crops. When this is done the Italian farmhand will not so easily be induced to emigrate.

The State must collaborate with Italian capitalists to intensify manufacturing and industrial production and to make the country free from the German or any other yoke, and to obtain for Italy the position in foreign markets which rightly belongs to her. The State must cast aside the old fallacies. State and municipal ownership of industries is one of these fallacies that must be



abandoned. "Such control, except of certain necessary services of public order, is neither profitable nor beneficial to industry nor to the nation." Parliament should also carefully avoid interfering with the quiet and orderly progress of industry. It should aid production in every way and not handicap it with ill-considered legislation.

New principles of taxation are demanded. This demand will interest American merchants and manufacturers who have desired to establish business branches in Italy and who have been bewildered by the Italian laws on taxation. It may be said here, incidentally, that there are two kinds of taxes on the corporation doing business, one on the "*Ricchezza mobile*," and the other on the "*Ricchezza immobile*," and no two persons in Italy seem to be in accord on what is specifically implied in these terms, which may be translated "fluid resources," capital, turnover, profits and the like, and "fixed resources," property of all kinds other than the fluid resources. In the same Italian city one American corporation will find itself called upon to pay taxes on the basis of its whole capitalisation and operations in the United States, while another is merely asked for contribution on the basis of its business in Italy, and still a third gets off on the mere consideration of profit on its local transactions. Certain lawyers who are specialists in this matter can arrange for entirely reasonable terms for their clients.

The trouble is that in Italy there are five different supreme courts. The rulings of any one of these may be good law for the whole country, but where all have ruled on the same subject and have ruled diversely, there is confusion, and the foreign corporations find themselves taxed in very widely different fashion, according to the

one of the five zones in which they happen to have established the "sede sociale," or corporation branch domicile, in Italy. The five supreme courts sometimes hold in Rome a meeting of what they call the "United Sections" and decisions reached by this body on any point are final law for the whole country, but they have not yet done so for the complex problems of business taxation, and the best the foreigner can hope to do at present in Italy is to have his attorney make a reasonable bargain with the chief tax collector of the zone in which he happens to be located. The chief tax collector is in practice the court of last resort.

All this is to be changed, if the new plans are carried out, for the Italian merchants and manufacturers themselves have almost equally serious complaint to make against the taxation system.

A proposal which the association makes is that capital which boldly takes risks in business and creates and multiplies wealth should in the matter of taxation receive quite different treatment from capital which takes no risks, and that corporations should not be taxed, as at present, on their assets, but only on the dividends which they have earned. In the matter of extra taxation to pay war debts, "the Government should reach agreements with the producers and cause as little upset as possible to the industries."

New tariff regulations are also demanded for Italy. The association does not take sides either with the principle of free trade or that of extreme protection, but it declares that a tariff wall should be put up which will protect the present infant industries of the country until they can take care of themselves.

The high-cost-of-living problem, it is asserted, which



is agitating the whole nation can be solved if the Government will devote its resources to furthering native industries so that they can supply the people's urgent needs without relying on the foreigner. If the Germans or other foreigners are allowed to fight Italy's industries in Italy they will become the despotic rulers of her home markets.

The whole system of State administration, the Italian business men's proclamation continues, must be reformed and remodelled, if the State is to furnish effective co-operation in the economic development. Bureaucracy and centralisation of power are the worst evils. Administrative functions must be made more elastic, more prompt and more suitable to the purpose for which they exist. Red tape must be cut. The present multiplicity of offices must be done away with; officials must be made individually responsible. With fewer offices it will be possible to pay better salaries and to induce competent men to accept public office.

It is the State's duty to help in spreading Italian merchandise on foreign markets and in finding new outlets. An advertising campaign on a national basis should be prepared for this purpose, "to make known abroad the value of our energies and to elevate the prestige of the Italian name, which had fallen low in the long years of negligence in the past." Italian merchants and manufacturers will undertake to do their part in this regard, but the Government must second their efforts actively and consistently.

The immediate task is to keep factories built in war time busy and to keep labor employed. The great public works which the Government has already decided upon—the installation of water-power electric plants, as well

as mining, industrial and agricultural development work, especially in Southern Italy—should be planned out in detail and materials should be provided for them, so that work may soon be begun. Work should at once be begun, also, for creating the great merchant navy which the Government is pledged to, and for the carrying out of the harbor improvements so much needed at many of the Italian ports.

Scientific research in the interest of industrial and manufacturing enterprises, it is further recommended, should be set on foot by the Government, and a scheme of new banking methods and credit facilities worked out for the benefit of Italy's industries and export commerce. There is need also of the immediate formulation of a vast financial plan to determine the means not merely of paying the huge war bills, but also of providing for putting into execution the peace development work already planned. In this way there would be no sudden stop of activities, but a gradual transformation process which would prevent the nation from being stricken with a depression panic.

Italy must undertake to take care of her soldiers. They must not be subjected to the temptation to emigrate. Work must be ready for them with the assurance of good returns for it to compensate them for the tremendous sacrifices endured for the country. Hereafter Italian labor must be kept at home. Instead of an "emigration of men," Italy must arrange for an "emigration of products."

Materials of all kinds will have to be sought abroad. From America must come the steel and iron and much of the construction material for the great public works that are planned, and these should be arranged for at



once and provision made for a continuance of the coal, oil, grain and equipment supplies which had been contracted for as a war emergency. From America is expected also the industrial machinery to equip the Italian factories for peace service, and provision should be made for it as far as possible in advance of the time of its need, so as to insure its receipt without wasteful delay.

To this whole "programme," or outline of practical proposals for the advantage of Italy, the Italian capitalists invite the co-operation of the entire nation without regard to party or politics. It is admittedly a programme which exalts the State and demands the "sacrifice of an excessive and dangerous individualism" such as the notions of democracy heretofore prevailing in Italy had fostered. "But this is not the hour," the proclamation says, "for illusions, for discussions, for criticisms. It is the hour for action, for deeds." The ground must be cut from under the feet of the Bolshevist agitators.

It may be added, in connection with this declaration of the new era views and plans for action of Italy's merchants and manufacturers, that Italy is for America a foreign-market opportunity of a quite exceptional kind. Germany had dominated the market; Italy is now practically making an appeal to this country to come in in substitution.

"There is the most serious danger," a member of the Italian Commission to America has declared, "that the Germans will renew their grip on Italian commercial life. What are Italian merchants to do? They are in dire need of merchandise and there, practically at their door, are the Germans with, as we have reason to believe, large stocks of the very wares the Italians most need and have been accustomed to get from the Germans in the past,

the Germans eager to dump them on the Italian market to get a footing once more, ready to sell cheap and with six months' or a year's credit. The Italians struggle against the temptation and keep their eyes fixed towards America. American manufacturers by taking prompt action can get the Italian market and hold it for themselves. But it is imperative that they go about the business in the right way, that they reveal a disposition for mutual service and, above all, that they waste no time."

A combination, under Government supervision, has been arranged between four of the principal commercial banking institutions—the Banca Commerciale Italiana, the Credito Italiano, the Banca Italiana di Sconto and the Banco di Roma. It is to continue for two years after the signing of peace. Agreements covering commercial credits, loans and accounts, loans in the public interest and the financing of national industrial undertakings have been reached by the combination. The banks are to make a common investigation of commercial conditions and needs, to co-operate in providing the largest possible measure of industrial and commercial self-sufficiency for Italy, to find new markets for Italian products, to co-ordinate the smaller banks and private banking institutions for the same general purpose, and to adopt the most liberal financial policy for the nation's benefit.

These banks have established branches in the United States to assist in every way possible in developing trade and commerce between the two countries.



## CHAPTER V

### GERMANY

**Twofold Function of Ministry of Economics—An Export Trade Organisation Formed—Bureau for Re-establishing German Prestige and Commerce Abroad—New Intensive Study of Foreign Countries With View to Trade—Expected Nationalisation of Many Industries—How Germans Expect to Retrieve Their Losses.**

GERMANY's elaborate plans for the after-war period have already been referred to in some detail. The Ministry of Economics was established on October 21, 1917, and was divided into two main sections, one dealing with economic questions, customs, tariffs, monopolies, syndicates, etc., and the other section dealing with social questions, such as unemployment, insurance, housing and the like. The Commission for Transition Economy has already been described.

Germany's main concern was with the problem of securing raw materials—and chiefly the textile fibres, leather, rubber, oil and fats—for her industrial purposes after the war, and with shipping to handle her exports and imports. A monopoly of the importation of raw materials is said to be among the projects of the German authorities, and monopolies of other kinds, as on sugar, spirits, petroleum and insurance, are regarded as among future developments in Germany, and it is not improbable that buying, selling and manufacturing of the

important commodities and products will be kept under Government control, at least temporarily, for the economic benefit of the country. The industrial combinations and concentrations which were forcibly brought about in Germany during the war are likely to be continued.

A German export trade organisation, somewhat on the lines of the British Trade Corporation, has been organised, it is said, in Germany with a capital of 25,000,000 marks, to undertake the construction and operation of railroads, irrigation plants, harbors, electric plants, factories; to operate plantations and mines, and to form and participate in subsidiary concerns. Among the German firms announced as being represented on the Board of Directors are the North German Bank, the Dresdner Bank, the Hamburg-American Steamship Company, the Rheinisch-Westphalian Coal Syndicate, Krupps, Siemens-Schuckert and others.

In Berlin there has been established a central office "Für Auslandsdienst," the purpose of which is to determine the means of re-establishing the prestige and the commerce of Germany abroad.

The Germans are also planning the organisation of a superior training and education institution, "Für Auslandskunde," for the knowledge of foreign countries. This organisation is to be dependent on the universities and is to offer to the students the means of getting a complete and detailed knowledge of the countries where they might be called to exert their activities as diplomats, missionaries, professors, doctors or business men. The University of Bonn is to be the centre for the special study of the Latin and Latin-American countries. In that University, for instance, French, Italian, Spanish



and Roumanian will be studied to an exceptional extent, and geography, history, social and military organisation, the character, the tastes, the economic and intellectual needs of the Latin peoples will be made the object of profound study. In the same way other universities will deal with other ethnical or geographical zones of the world. The Germans seem to be far from having renounced their comprehensive method of economic conquest.

Germany, as a federation of "republics," will, it is expected, undertake the nationalisation of many great industries in the form of an enforced syndicalisation under government control. The new condition in this case would be but little different from that which prevailed during the war, when the concentration of German industries was conceived not merely for military purposes, but also for more effective economic effort after the war.

President Ebert announced that arrangements had been made for the combination and "socialistic operation" of various branches of business that were to be handled as State monopolies.

German leaders have been wasting little time discussing the philosophy of economic laws or theorems of sociology. In their practical way they have been pounding home concrete facts. The war imposed heavy burdens on all the nations that took part in it. There is only one way to lighten the burden, to repair the waste, to make up the losses, to reduce the debt. Work! The thing can be done. Germany can turn defeat into victory. She can make good what she lost; she can become great and powerful once more; she can resume her former dominant position in world commerce. There is just one condition—work. Work that is untiring, reso-

lute, systematic—*improbis labor*—work that is unconscionable, reckless, relentless, extravagantly energetic. All Germany, everybody in Germany, must work as they never worked before. And Germans can work. Work made them commercial world conquerors. Work will once more give them supremacy.



## CHAPTER VI

### FOREIGN TRADE SERVICE

**State Department Proposes Consular Increase—To Make Service Strictly American—New Economic Experts—Better Pay for Consuls—Overwhelming Duties Imposed on Them—Foreign and Domestic Commerce Bureau to Expand—Valuable Services Which It Renders—To Explore Foreign Areas.**

THE State Department, on which the consular service depends, requested from Congress an increase of more than \$1,000,000 in its 1919-1920 appropriation for its foreign service programme. A considerable part of this sum is eventually for the development of the consular service. It is planned to increase the number of consuls by 25, to appoint 150 consuls of career and to create a new office, that of "economic expert." The economic experts, of whom it is proposed to have twenty-five, are to be men trained in business who can be sent to the various consular offices to study the situation, to relieve consuls-general, to gather information of interest to industry at home and such information also as will be of value to the country when it is negotiating commercial treaties and preparing tariffs. The twenty-five new consuls are destined to be sent for the most part to remote regions where ultimately they may be needed, where American ships may put in and where American trade may be established.

The 150 vice-consuls are mainly to replace existing consular agents. All these must be Americans.

The war found American interests in out-of-the-way places often in the hands of non-Americans, consular agents, receiving no salary, remunerated only by fees commonly totalling less than \$100 a year, men who cared nothing about the United States apart from the fees it made it possible for them to earn. Even in the future, although the purpose is to make the service as American as possible, it is considered unavoidable to continue to employ such foreign consular agents on the fee plan, in parts of Turkey and Russia; but they will have no access to confidential matters and will know nothing of American plans for trade expansion. It is also planned to increase the salaries of some of the classes of consuls, chiefly those of the \$2,000 class, the most numerous of all.

The consul's duties are of bewildering variety and extent. He is a notary, a dozen kinds of ship functionary, in some places a judge, an arbiter of disputes, a purchasing agent, a direct representative of the State Department, an indirect representative of all the other Departments as well as of the hundred odd million people of the United States. During the war our consuls were "The Government" abroad. They were entrusted with making purchases for the Army and Navy; \$2,000 consuls were carrying through transactions in remote places involving many millions of dollars on mere brief cable orders from home. They handled the financing of shipping for the United States Shipping Board and they conducted business of endless variety. The American consular service covered itself with glory during the war.



It is from the American consuls that the great body of general information on foreign business and on foreign markets seems to be expected. The consuls do send in a great deal of commercial information. But how could it be expected to be fresh, valuable or even correct? The consuls are over-worked and miserably underpaid. They cannot at their discretion run up expense accounts. Where are they going to get the live exclusive trade news that is to be of benefit at home? They stick nobly to the service, but many of them are forced to resign out of sheer inability to keep body and soul together for themselves and families on the wretchedly inadequate salaries they receive. They invariably can get better-paid positions than the service offers them. It is clear that, under the present circumstances, American industry cannot count very much on the consular service in helping to solve the problem of establishing a foreign commerce.

The branch of the Government which more directly and immediately represents the interests of American industry for the purposes of foreign commerce is the Bureau of Foreign and Domestic Commerce of the Department of Commerce. This Bureau has established for itself among business men throughout the country an exalted reputation for its admirable organisation and for the highly practical nature of the commercial service which it renders. This was testified to during the past year when the Bureau was called upon for aid by the Shipping Board, the War Trade Board, the War Industries Board, when it assisted in the organisation of foreign service for other branches of the Government; advised on war-time legislation; purchased foreign raw materials for the Army and Navy; straightened out the war-time difficulties for many manufacturing concerns,

and engaged in commercial education work in many parts of the country.

Ahead of any institution of its kind in any other land, in fact accepted as the model for imitation by the other leading countries, the Bureau has been accomplishing this admirable achievement on an annual appropriation of around \$500,000—last fiscal year a little under that sum, this fiscal year a little over it.

For the fiscal year 1920 the Bureau is now seeking an increase of over \$800,000, or a total of \$1,365,470. As a matter of fact it ought to have at least that much to spend in every single country important to the United States as a foreign market or as a competitor, and proportionate sums in the countries of minor importance. In that way it would be enabled to render to American industry a foreign service commensurate with the efficiency of its home organisation.

The Bureau controls eleven commercial attachés—men with fixed domicile and an office force—in leading capitals. It plans to add on nine more, and to locate them in Canada, Italy, Spain, Greece, Moscow, Mexico, Cuba, Panama and Chile. It desires to increase its trade commissioners—expert business investigators with a roving commission—from ten to twelve in Latin-America, from seven to fourteen in the Far East and from twenty to twenty-eight in other countries. Some of these it would establish in new fields whose trade possibilities have never been thoroughly studied—Colombia, Venezuela, Ecuador, Bolivia, Paraguay and many regions in the great stretch eastwards from Suez to the Philippines. The good that the twenty-six more men will do under the direction of such an organisation will undoubtedly be considerable, but until Congress grants to the Bureau,



not a small percentage increase in its field force, but a multiplying of that force tenfold and twentyfold, the manufacturers of America must understand that on their own shoulders lies the burden of performing certain very important duties in the opening up of foreign markets for the individual industries.

With men competent to speak on the question of originating foreign trade, I have discussed practical ways of going about the matter and have found rather indefinite and widely varying opinions. One of them is the Executive Secretary of a great association of merchants. It is his judgment that not until the American manufacturer has reached the state of mind where he can conceive a foreign market, not as a dumping ground for his surplus, but as a primary market in the truest sense, will it be wise for him to take another step towards getting into that market.

"When his mind has reacted to this extent," he added, "he must begin to study the foreign market, as he would study the home market, to determine what class, character and styles of goods that market demands and will purchase. Until he devotes the same business acumen and the same business skill to penetrating the foreign market, as he does with regard to the home market, he will not open the foreign market to himself, or, having opened it, he will not hold it. He must learn not only what the foreigners want, but how they want it—details on payments, on methods of packing and shipping, and so on."

With regard to the way in which the American manufacturer is to seek information about markets generally, and about the one in particular which he may be planning to invade, this authority declares that the manu-

facturer must proceed in the matter in a strictly businesslike way. "He cannot expect his Government to do his business for him. Where a firm is sufficiently strong to go into the field with its own agents and at its own expense, that I believe is the better way to do it. But in the case of the smaller manufacturers, or of the great manufacturers projecting only a small foreign business, I should think that the export commission houses would supply the deficiency. They might be looked to for information and details regarding the countries with which in a special way they keep in communication. In this way the manufacturer should be able to learn important facts regarding the foreigner's point of view, his method of doing business and his special requirements, so that the manufacturer may adapt his sales machinery in conformity with same."

Another authority, the President of a club of men engaged in merchandising and distributing, one with personal experience in the field, had this to say: "What I would advise is the formation by American manufacturers of foreign sales organisations. I would, for instance, gather into one club fifteen or twenty non-competing industries that were desirous, not of experimenting, but of actually going ahead and doing business in foreign countries. Co-operative selling plans would be worked out; salesmen would be taught the various lines and would be trained in collecting practical market information—not from books or reports, but on the ground. The policy would be to select the right men, pay them the right price and send them out to get the business. The central office, equipped with all the commercial information, prices, deliveries and the like, would also be the co-operative clearing house. Expenses would



be divided up, thus minimising this usually most formidable cost item of foreign salesmanship."

Another, who has directed for a great manufacturing corporation a selling organisation distributed around the globe, is not in entire accord with the idea of counting on export commission houses for the establishment of a foreign market, as such firms, in his view, have their own special and most valuable function, but one which imposes on them the obligation of being in touch with the broadest sort of a field. Accordingly they could not be expected to specialise in the way that would be of practical benefit to manufacturers individually. As for the export club idea, he was inclined to think it might work out more beneficially if it included only manufacturers who were competitors, instead of being non-competitors. A group of competitors could agree on the way to ship goods, the way to finance shipments, on credits and even on prices. "I can imagine," he said, "that a club of that kind might be a boon to the manufacturers composing it and an economic benefit to American industry as a whole."

There will be demand from the United States on a vast scale for materials and machinery to reconstitute the war-stricken areas and the industries in foreign countries stunted by the great struggle. Producers in these lines will readily get in touch with their markets through the Department of Commerce or through the foreign commissions already established in this country. But the export business that is of most importance to America, the business that would steadily and continuously serve to convert into actual values the enormous potential wealth represented in America's great capacity for

production, is not of the kind that comes knocking at the producer's door.

Obviously hereafter there will be no royal road to foreign trade. Much effort will have to be spent to develop it. Organisation will be needed and it is clear that the manufacturers of the country in general are without exact data regarding the method of procedure. The matter is one well worthy of the attention of the congress of business and it is not to be doubted that that congress could work out a practicable course for the guidance of the manufacturers.



## CHAPTER VII

### AMERICA'S REPRESENTATION ABROAD

**Demand Abroad for Reform of Diplomacy—Bureaucratic Methods to Be Modernised—Economic Rather than Political Representation Desired—Proposed Directive Council at Home—Specialists to Control Its Sub-Divisions—The Tests for Foreign Representatives.**

THERE is a feeling among the nations that the old way of representation of a country in foreign lands is no longer adequate to modern times. There is consequently a fairly general demand for what is called the "reform of diplomacy," and what in reality means the reform of foreign service generally, including that of the Department of Foreign Affairs as well as its representatives, ambassadors, ministers and consuls and special agents in foreign countries.

The old diplomacy was found wanting when the war began and the prolongation of the war has been by many attributed to the blunders of diplomacy. With the war ended, it is felt that there must be no going back to the old way, that hereafter representation of a country should be based even more on economic than on political considerations. Commissions in several countries are at present considering the method of reforming diplomacy and foreign service, some of them quietly and others more or less openly.

In Italy a commission with several subcommittees has been examining the problems of reform of State administration, of simplification of bureaucratic service and of better representation abroad. The nation's representatives abroad are expected to be in the future the militant forces for fighting the battles of the nation's expansion, and consequently representatives in the League of Nations, in embassies and in consulates, it is laid down as a general principle, must be men chosen, not because of their mental and educational attainments, their capacity for passing examinations, or their social standing, but because in the active world they have manifested notable qualities of leadership and general capacity for promoting their own country's interest in foreign lands.

It is needless to refer to the weak points of foreign representation as it has existed in the past, the fact that ambassadors often were selected for their social graces and for their wealth and that between them and the functionaries who filled the consular offices there existed a wide gulf which even the interests of the country they were representing did not always serve to bridge. There has been, for instance, in Italy an established law that an ambassador must have a private income of not less than \$1,600, that there must be recognised interrelationship between the diplomatic and the consular services and that in fact there must be a passage annually of at least three from the consular service to the diplomatic service and three from the diplomatic service to the consular service. Laws have been passed, from Crispi's day to our own, regulating these questions, but often they have remained a dead letter. Consuls sometimes have passed up into the Italian diplomatic service, but in spite of the law there are no records of any movements from the



diplomatic service down to the consular service. It is felt quite generally that a radical and far-reaching reform that will wipe out such distinctions between functionaries must be effected by every nation in its own interest if it is to avoid the likelihood of being involved in complications and confronted with serious international problems without anything like fair warning.

As a matter of fact, public opinion is now dealing with questions of this kind and public opinion will in the future make it more difficult than it has been in the past for nations suddenly to find themselves at war without the great mass of the public knowing the why or the wherefore. It is realised also that for the individual country the national policy in commerce, finance, economics and public information, as far as they regard foreign relations, should be unified with a view also of adding to their development and to their expansion.

The vital thing hereafter will be the foreign relations of economics, of industry and trade. Diplomats, consuls, commercial attachés, will have to be men trained for united work in furthering national economics abroad. Their functions should be not merely academic—studying, gathering information, reporting—but active work, a display of initiative, of creative brain power in the competitive struggle that faces all the nations in the future.

Behind them at home should be a directive Council of statesmen and experts, with subdivisions dealing with the various branches—commerce, finance, transportation, and with the national, political and economic institutions of the country, and with consideration being given also to the representation of public opinion and of initiative deriving from the public. Such a Council should be en-

dowed with authority to act and should be permanently and uninterruptedly in session, watching developments, formulating plans and putting them into execution, with business leaders of the country in the important directive and consultative positions, and with a specialised personnel always available for special missions abroad.

In a time like this all the functions of government should be tingling with life and vibrating with energy, ready and eager to deal in effective manner with the new economic conditions which it is so important for the nation to confront understandingly and to shape intelligently for its own welfare.

Many ways are suggested for selecting the representatives of the country for foreign relations. They do not exclude the method of examinations with the principle of selection. They imply the conferring of greater prestige on those who are to represent the country and the encouraging in them of the willingness to assume risks, to accept responsibility, to show initiative, and to be always ready and active, eager to study new things and constantly training themselves. Men with these qualifications are the only men on whom a country can reasonably confer plenipotentiary powers. The diplomatic career must be democratised, though it is important that it be made more and more "aristocratic" as far as practical business and cultural talent are concerned—that is, the "best" are the men to whom the fortunes of the country abroad may be safely entrusted. Examinations do not prove such men; they prove themselves on the firing line. The power of selection should reside in the above suggested Council, in which public opinion is accorded representation.

Geographical zones might be marked out and special



sub-divisions of the Council might deal with them in a detailed way. The experts within a special zone should be available for service at home in the Council or for service within the zone regarding which they are experts. The offices in foreign countries established by the nation, chancelleries or consulates or commercial bureaus, should be special institutions properly organised to relieve the diplomat, the consul, the commercial attaché, the trade commissioner from mere routine office duties which he now has to perform and should be stable bureaus which do not change with the incumbent, so that the latter can devote his time and energy to his important political-economic functions.

The war has shown how to find the fitting men for the great practical services. They can be found also for representation of the country abroad and leading business men can be induced to participate in such representation if the conditions are arranged so that proper treatment is meted out to them, and so that consideration is taken of the eminence of their status and of their right to protection from unjust attack.

## CHAPTER VIII

### NATIONAL PUBLICITY

**A Form of Propaganda Being Widely Adopted—Foreign Offices Generally Had a Publicity Bureau—How Austria Profited by Hers—German Business Men Originated New Scheme—Economic and Political Publicity—Important That Work Hereafter Be Above-Board—Publicity to Promote Industrial Peace.**

THE four years of war have brought an interesting evolution in the views of statesmen regarding the political and economic power of publicity. The Germans entered the war with their "propaganda" full-fledged; their preparedness in this regard had been complete. When men of broad judgment urged that the Allies in their great and intensive work of organising for war, after war had begun, make immediate provision also for the proper representation of their cause and of their side of the variety of questions constantly springing up, there were other voices which deprecated the idea. But as time went on the Allies saw that publicity was essential as a political and economic need of our time. To neglect it was to take serious risks. The Germans were working their propaganda not merely to influence neutrals and obtain their support, but also to split the Allies, to interfere with their commerce and to affect it in the future. It reached a point when the most urgent need was for publicity among the Allies themselves.

France, early in 1917, created the office of Minister



of Propaganda, but very quickly changed the title to Minister of Inter-Allied Relations. The incumbent visited the United States and other countries, in furtherance of the duties of this office. He served as what we might term a "liaison agent" on behalf of France with the countries associated with her in the war. Later on England appointed a Minister of Propaganda in the person of Lord Northcliffe, who resigned a few days after the armistice was concluded. In the meantime France and England had been coming around to the vital importance of publicity for their cause. Lord Northcliffe, considered a genius of publicity, was sent to the United States as England's chief commissioner for war work. A distinguished French newspaper man, Mr. André Tardieu, came as French High Commissioner and the editor of *Le Matin*, Mr. Stéphane Lausanne, was made a member of the Commission. Italy appointed Signor Felice Ferrero, a representative in New York of leading publications in Italy and a brother of the famous historian, as head of a bureau of Italian propaganda in the United States. Similar appointments were made in countries of the European Allies and neutrals.

In neutral lands especially there was keen competitive rivalry, for the Teutons were also busy and their appreciation of propaganda and of publicity was not of recent date. Then there came a time, marking an epoch in the development of the whole matter, when it was realised that the economic interests of a country at war had no less urgent need of publicity than its political and military interests, and that experienced business men were best qualified to determine the subject matter of publicity abroad, while to trained publicists might be entrusted the form in which it was to be set forth. As the

end of hostilities approached, and the broad lines of after-war policy were being laid in the chief European countries, there was manifested a general recognition of the established importance of national publicity. Whether elevated to the grade of a permanent office or not, publicity, it is forecast, will be a conspicuous government function in all the leading countries.

The United States, differing radically from its associates in the war in the matter of economic status and of economic needs, has not had, for this and other reasons, the same impulsion to conform promptly to the new methods and practices taken up by the other nations at war. This country, however, has sooner or later adopted most of the important innovations that the war has made politically or economically desirable and students of politics are aware of the enormously increased prestige of publicity as the promoter and safeguard of democracy, so that there is no reason to doubt the opinion of those close to the administration who expect the establishment in this country also of an important form of national publicity. On this account it may be interesting to examine the phases of the world boom of publicity and to consider what are likely to be its enduring features and what its prospective effects. What also, it will be interesting to ask, is to be the proportionate share of the Government and of the private person in the national publicity scheme that may ulteriorly be put into execution?

Austria has been the shining example of the country that has turned publicity to marvellous political advantage. Almost thirty years ago the Foreign Office in Vienna took over the direction of a Correspondence Bureau, which, previously, in the hands of private parties,



had been a purveyor of news of a more or less official character. Whoever was responsible for its organisation and management under the new auspices deserves a tribute of admiration for publicity ability of a very high order.

Some expert investigator may one day figure out for us the influence on international politics, on the destinies of nations, which in those three decades that Correspondence Bureau wielded, an influence more potent than that of all the Skoda guns Austria ever manufactured. In the meantime it may be stated in general terms that the influence was enormous. Let us judge it by the results. Even almost up to its collapse we all had a mental picture of the Empire of Austria-Hungary as a great prosperous military power with a government that was tolerant, magnanimous, even chivalrous, ruling a people gay and laughter-loving, effervescent and sensuous as the Viennese operetta, and second only to the French in their successful cultivation of the arts and fashions. If any foreign nation had a squabble with Austria we were more likely than not to assume that Austria's side of the dispute was the side of courtesy and sweet reasonableness. And what did we know of the Czecho-Slovaks, of the Jugo-Slavs, of the Serbians? If we were interested in them at all, we understood that they were a bad lot, when they were not actually uncivilised, illiterate boors of inferior mentality and of dangerous instincts. Vienna's Foreign Office publicity managers took care that the low record of these peoples should be available to the world. And these peoples, whom we now suddenly know for their military qualities—Serbia's marvellous war record will be an imperishable monument to her, while the knight-errant achieve-

ments of the Czecho-Slovaks in Russia have been one of the glorious events of the war—and whom we now appreciate for their steadfastness through the centuries to their ideals of freedom and of justice, had writhed under the torture of misrepresentation, for the world was deaf to them, hearing only one side of the case and considering its setting forth as conclusive. Italy raged for years over this Austrian Correspondence Bureau. Its methods were mild and insinuating, rather than blunt and aggressive. It kept the world abroad saturated with erroneous and derogatory opinions regarding Italy and the Italian people. In the language of courtesy and moderation it issued the most damning statements about Italy's territorial aspirations and about the character of that country's leading men. Italian publicists made furious denials, but somehow were unheard. Positive statements have more news value and secure more attention than the subsequent denials of them. During the war the Vienna Correspondence Bureau outdid all its previous performances, issuing a steady flood of its moderately-phrased propaganda, insidiously aiming to sap the morale of the fighting forces on the other side, and at times helping to do so in certain spots with consequences perilous indeed for the Allied cause.

The German methods of war propaganda are too well known to justify any description of them here. They were carried too far and a reaction occurred.

The Hamburg magnates, men like Herr Huldermann of the Hamburg-American line, and the late Albert Ballin, demanded that the German propaganda be taken out of the hands of the military authorities and entrusted to the business men who had experience with foreign countries, knew the modes of thought and the ideals of other



peoples and who had proved by experience that they understood how to make the most desirable kind of an impression.

Two publicity organisations had been created in Germany early in 1914 ostensibly for the purpose of advertising Germany's industry, upholding her prestige and gathering information for the benefit of her foreign commerce. The plans outlined struck the British Ambassador in Berlin as so ominous that he formally warned his Government regarding the organisations. The Krupp Company, Siemens-Schuckert, the German General Electricity Company, the Deutsche Bank, the Hamburg-American and the North German Lloyd Companies were among the big concerns composing the "syndikat" representative of Germany's industry and commerce, which paid in \$125,000, two-thirds of the capital stock of these publicity enterprises. The German Government subscribed the remaining third and obtained one-third representation in the management. The supreme direction was vested in a committee of three—a Krupp director, a Deutsche Bank director and a representative of the Foreign Office—and under them an executive council was to guide the work of influencing the press at home and abroad and of directing the secret agents of the Syndikat scattered throughout the world. But for various reasons, including apparent jealousy on the part of certain export publications and the leaking out of its secrets, it had not got down to work when the war began. Later it was brought out for actual war service. This was about the time the Allies became aware of the seriousness of the "defeatist" campaign that was planned to be waged in France and Italy, when officials in the

United States had unearthed the evidence that led to the execution of Bolo Pasha.

The big business firms of Germany which before the war had set such store on the great export monthly publications—such as the *Deutsche Export Revue*, for all kinds of German trade, and others such as the *Chemiker Export Zeitung*, for special industries—and on the weekly periodicals and special editions of German commercial newspapers for foreign readers in their own language, now demanded that these media be again made the principal channels for pouring into other countries the flood of information best calculated to be of benefit to Germany. German publicity in the last phase of the war was getting back into the hands of business men, apparently without too much interference by the governing authorities.

The lesson which the war has taught the nations regarding the need and the uses of publicity is not going to be unlearned. Some observers see an indication that a nation's publicity is more and more being regarded as the affair chiefly of the nation's business men.

There are two chief classes of publicity which a great nation's interests demand in our day—political publicity and economic publicity. The former kind, of course, is nothing new, but is now considered as calling for new methods of exposition. Most of the great powers have long had in their Foreign Office a section of publicity, a thing of secrecy, the true character of which was usually veiled under a cryptic name. It is now generally felt that political publicity is too vitally important to a country to be kept hidden as an obscure function of the department of foreign affairs, that it should be out in the open, an honored office conducted by men of eminent



attainments and of experience in international affairs. A branch of this form of publicity might be devoted to domestic service, to exposing trusts and combinations or corporations or individuals that might be indulging in noxious commercial practices and for other purposes.

In Great Britain a domestic form of national publicity has been proposed for the purpose of spreading a knowledge of the fundamental principles of economic laws, of acquainting the whole people with the exact facts regarding industrial questions and conditions, of impressing on them the interdependency of all classes in the community and of intensifying patriotic sentiment. This publicity is to be coupled with an educational campaign by organisations that cannot be suspected of ulterior motives such as are commonly ascribed to politicians. The State can no longer stand aloof from industrial disputes which waste national resources and may bleed the nation white. Strife between the parties to industry must henceforth be regarded as a dangerous and insidious form of civil war putting the nation's prosperity, as well as its international standing, in grave peril. Frank publicity is regarded as among the most effective means of warding off the danger to the nation.

A nation's economic publicity, on the other hand, is legitimately considered the belonging of its industry and commerce. There is a divergence of views, and there may be a divergence in practice among the various nations, as to the uniting or the keeping apart of the two forms of publicity, but there can be no doubt that a special, distinct and honorable establishment will be instituted in every leading country for the propagating abroad of accurate information in its political and diplomatic interests, and that, either directly connected there-

with or as a separate establishment, there will be instituted an important organisation of publicity in the interest of the general economic life and well-being of the particular country.



## CHAPTER IX

### AMERICA'S NEED FOR FOREIGN TRADE

**Adventitious War Trade Developed Production Capacity—Our Normal Market Outgrown—New Outlets Needed—Latin-America Generally Counted On—South Africa and Australia—America Practically Pledged Not to Usurp Foreign Trade of Allies.**

DURING the war we have had a foreign trade such as no nation ever had before. A total of \$9,000,000,000 in each of the last two years of the war; a balance in our favor of \$3,000,000,000 in each of the last three years; in payment, gold that puts us in possession of the bulk of the world's visible supply and securities and services of great money value.

The adventitious trade that war created for us will continue in a diminishing way, for a time after the war. But our enormously increased capacity for production, far in advance of our own normal consumption, cannot be allowed to shrivel up. In the present condition of the world upheaval, depression in America might well be disastrous. An outlet must be found for our increased capacity for production. And so we look for foreign markets.

It is towards Latin-America that the eyes of American business men generally are turned when they think of foreign trade which may promise to be remunerative for them and devoid of the complications in the way of

credits, of restricted profits, of obligation to buy in compensation for the privilege of selling, which they conceive as implied in trade relations with the nations of Europe which have recently been at war and which consider that they have a claim on the co-operation of America in re-establishing their war-affected commercial status.

"It has been the policy of this nation," said a resolution adopted at the Atlantic City business congress, "to cultivate relations of close sympathy with the nations of the Western hemisphere as expressed in the Monroe Doctrine. We believe that these relations should be supplemented and strengthened by a vigorous development of our commercial and financial associations with our neighbors of North and South America."

South America, with its tremendous natural resources, is an open field for endless development in which American business can co-operate and can share in the rich returns. Americans are practically pledged not to usurp the foreign trade of their late co-belligerents by any unethical methods. Germany's trade in South America, however, is a legitimate object of competition.

The German never conceived his mission as involving the conferring of a boon on those through whom he profited. It was no part of his task to help in building up South American countries for the benefit of those countries. Englishmen put their money in South American railroads, Frenchmen in engineering and construction works, Americans in mines. The German was there to profit by other peoples' risks. He sold goods, bought only what he needed or could resell, had banks through which to loan money at usurious rates for his own benefit on the properties and values created by the enterprise



and energy of others. The German did not give and take. He took; greedily, remorselessly, with scientific accuracy. It would be a godsend to South America if Americans replaced the Germans, installing the methods of co-operation and reciprocal service in place of the one-sided grasping methods of the German. Germany had her chance and failed. The United States can go in and help to make South America great.

South Africa is another fair field of great promise, with an area of one and one-third million square miles and a population of 10,000,000. Germany used to sell \$20,000,000 of wares there annually before the war. South Africa's imports are around \$200,000,000, Great Britain supplying about three-fourths of the total and the United States about one-seventh. There is a fine legitimate fair-play opportunity for Americans who can help supply the means for South Africa to produce raw materials, to develop railroads, to install industries and to grow prosperous commercially. Americans in fact are in a privileged position for this purpose, if only shipping facilities become available.

Australia furnishes somewhat similar opportunities, shipping raw materials, chiefly wool, wheat and meat, and importing manufactured articles, clothes, machinery, tools, automobiles, and the like. Australia in 1917 imported \$65,000,000 of goods for a population of 5,000,000, being thus a better import market by nearly fifteen per cent than Brazil, with almost five times as many inhabitants. The Australian market will call in a particular way for reciprocal treatment in trade relations.

The opportunities for Americans to establish foreign trade will be many and alluring, but it should be realised

that in order to grasp them in the best way and to build up solid and permanent foreign outlets on which the industries at home can safely rely for steady flourishing commodities there must be secured the co-operation of all the economic forces of the country, and in particular the banking, manufacturing, merchandising and transportation systems.

"We do not seek to extend the foreign commerce of the United States at the expense of those nations with whom we have fought shoulder to shoulder for human happiness," said George Edmund Smith, President of the American Manufacturers' Export Association; "we desire the United States to be prosperous, but prosperous as part of a prosperous world. We desire to increase America's exports, but in doing this we recognise that any permanent expansion is entirely dependent upon the commercial progress of the nations which buy our products. We make no secret plans for the exploitation of other peoples, but take counsel together in public upon the best methods for meeting the world's demands for those things which the United States, because of its natural aptitudes, can make better or cheaper than any other country. When, therefore, we speak of foreign trade in this connection, we speak of it as international trade, as an interchange of commodities and wealth among all the countries of the world which will make for human progress."



## CHAPTER X

### AMERICAN SHIPS AVAILABLE FOR COMMERCE

**Widely Varying Statements Regarding Tonnage—Erroneous Impressions Widespread—Mr. Schwab's Figures—Forecasts Will Not Be Realised—Our Effective Ocean-Going Tonnage—How World's Shipping Has Deteriorated—Wear and Tear of War and Inferior Construction—Falling Off in Construction.**

A VITAL question for American manufacturers contemplating the development of foreign trade is that regarding shipping. To what extent may they rely upon American shipping to carry their goods?

The volume of American shipping that will be available has been the subject of many statements of widely varying nature.

Mr. Charles M. Schwab has stated that the United States Government had at that time (first week of December) under its control between 6,000,000 and 8,000,000 tons of merchant shipping and that the ship-building facilities of the United States would be able to produce from 8,000,000 to 10,000,000 tons of merchant shipping in 1919.

The impression gained by many of Mr. Schwab's hearers was that this country is likely to have from 14,000,000 to 18,000,000 tons of merchant shipping by the beginning of the year 1920. And yet in reality this is so utterly unlikely that it would be a serious error

for American industry to lay its plans with any such expectation regarding America's prospective tonnage as any part of their foundation.

It was pleasant in war time to get the good news regarding our great shipping programme. The work accomplished was a proud achievement for the nation. The plans ahead were on a scale that justified the highest expectations. But the end of the war meant a great change in the merchant shipping programme. That programme was a war measure. The United States Government was in the business of building cargo ships at the fastest possible pace merely because it was an urgently necessary step in the prosecution of the war.

What the Government would do in the matter after the war was quite another question. Those in a position to conjecture, with the greatest probability of accuracy, on the subject do not for a moment believe that Congress will authorise the continuance of merchant shipbuilding with public funds on any such progressive scale as in the past year. Congress may be impressed by statements frequently heard that if all the nations carried out their shipbuilding projects and programmes the world within a very few years would have an undesirable excess of tonnage. At any rate the slackening up in the months following the signing of the armistice is taken by many as an indication that the peak of production is already behind us.

This does not mean that the figures and announcements of Mr. Schwab and others who can speak authoritatively are being called in question. What is intended to be conveyed is that the impression gained in American business circles, to the effect that this country at an early date



is going to be provided with a great volume of merchant shipping, is far from accurate.

Mr. Schwab in addressing a gathering of American business men probably assumed that they grasped his facts in the terms in which he had conceived them and had for many months dealt with them, as Director-General of the Emergency Fleet Corporation. His calculations were in accordance with the methods of the United States Shipping Board. The Board, it should be known, expresses tonnage in dead-weight tons.

The reason for its departing from the general rule of figuring in gross tons is that it dealt mainly with cargo boats and sought the expression that would most closely indicate bulk tonnage capacity. Gross tonnage, roughly figuring, is two-thirds of dead-weight tonnage. The Board considers only ships of 1,000 gross tons and upwards. Mr. Schwab's figures then would indicate that the United States Shipping Board has in its control from 4,000,000 to 5,333,000 gross tons of merchant ships of at least 1,000 tons. But not all of these are American ships, for they include ships taken over, ships commandeered while under construction for other countries and chartered ships of foreign registry.

Tonnage figures are apt to be tricky and misleading and the round numbers one sees quoted must be examined for what they imply or what they omit. So many are the points to be taken into account that it is only with great care, and with many provisos, that figures can be set forth regarding merchant marine tonnage to convey the broad general information of which every American concerned in the development of the country's trade and commerce should be in possession. The facts and figures here given have been checked at the Bureau of Naviga-

tion of the Department of Commerce in personal discussion with Commissioner Chamberlain, chief of the Bureau, one of the recognised world authorities on the subject.

The total gross tonnage of United States merchant shipping at the end of the year 1918 is placed at 11,400,000 tons. This includes all kinds of craft, ocean-going, coastwise, vessels that navigate harbors and rivers and even canals, all boats large and small that need Custom House documents to engage in trade.

The effective ocean-going tonnage of steamships of 1,000 gross tons and upwards of American registry and ownership was in round figures 5,000,000 gross tons on January 1, 1919. It was declared that the total was not 50,000 tons out of the way on either side in this calculation, the variation to be taken into account being the exact amount of the new construction for the United States Shipping Board to be delivered or to be officially numbered at that time. To this figure should be added 500,000 tons of sea-going sailing vessels of 1,000 tons and up, including coal barges, which constitute an important item in the total. The United States thus had less than 5,500,000 tons of ocean-going shipping capable of general service in foreign trade. Nor is this all. Without entering into the question of the obligation of utilising American shipping in the supplying and in the repatriation of the American Army abroad, in the furnishing of assistance to war-afflicted countries and in the carrying of materials to devastated lands, there are other considerations which affect the availability of American merchant shipping for foreign commerce.

The world's gross tonnage before the war, according to Lloyd's figures, was 49,089,552 tons. The best au-



thorities estimate the war loss of merchant tonnage in round figures at 10,000,000 tons. Besides this there is to be considered the normal annual loss of about 1,000,000 tons. New construction only partly made up the tonnage figures, so that at the end of 1918 it was calculated the world's gross tonnage was 44,500,000. A very important point that has not heretofore been considered is that this 44,500,000 tons of to-day does not by any means correspond with 44,500,000 tons of the total 49,000,000 of approximately five years ago. As a body of tonnage it is a long way inferior, and if the inferiority could be expressed in exact percentage it would most probably show that the world is very much poorer in merchant shipping than it was before Germany sprung the war of devastation on the world.

The wear and tear on ships in those years has been so tremendous that it may be said that they are no longer the same ships. Never were ships worked so hard before; never did ships get so little consideration or so little chance for repair and for recuperation. Cases of ships, during this period, falling apart and foundering in a calm sea have been many; cases of exploding boilers and of serious engine trouble have been innumerable. A considerable percentage of the ships counted in this figure of world's gross tonnage would in normal times be regarded as fit only for the junk heap.

Another important fact to be considered in this connection is that the new construction of to-day is not up to the grade of ship construction before the war. The average of the new ship is below that of the new ship of other days. This does not mean that there are not exceptions, that the United States has not been turning out fine ships. But every manufacturer will quickly

grasp the fact that in shipbuilding, as in all other war work, the demand has been for haste, for the urgent delivery of a finished article that will serve, that in the hurry the refinement of workmanship and of finish could not be insisted on, that the high-grade materials went into the weapons of the battlefield and were not available for ordinary construction.

Before the war our shipbuilding was relatively trivial. In 1914 it amounted to little more than 300,000 gross tons. The following year it fell below a quarter of a million tons. Production for the United States Shipping Board began to be appreciable only after August, 1917. Slightly over 200,000 gross tons was delivered to the Board in the last four months of 1917 and approximately 2,000,000 gross tons in the entire year 1918. These figures include thirteen ships of about 70,000 gross tons built by the Japanese.

Mr. E. N. Hurley, chairman of the Shipping Board, expected this country to have something more than 13,000,000 gross tons of ocean-going shipping in 1921. The country was getting into its stride in shipbuilding when the war ended. Then there was an immediate falling-off.

In November, 1918, sixty-three ships of 235,000 tons were delivered; in December forty-five ships of about 192,000 tons.

January, 1919, saw the previous month's figures cut in half. In January there were delivered 21 ships of a total of about 96,000 tons. Only fifteen of these were steel ships built in the United States, their tonnage being about 80,000 gross. An additional steel ship was Japanese-built, of 6,000 gross tons. In August, 1918, the figures had been 245,000 tons.

England can keep up an average of 2,500,000 new



tons a year. What mark is the United States going to set for itself?

Unless the business men of the country become penetrated with the facts and bring their pressure to bear, there is danger that the high hopes founded on the splendid start which the United States made in 1917 and 1918 in the speedy creation of a great American mercantile marine may be changed to bitter disappointment.

Mr. Charles Piez, director-general of the Emergency Fleet Corporation, outlined before the Senate Commerce Committee in the latter part of January of this year a proposal for reducing the shipbuilding programme which had been decided on in war time. He advised the cancellation of 1,500,000 tons of steel shipping already contracted for, the reduction of the original programme of 16,000,000 tons to 13,000,000 and the annual production of 2,000,000 tons, which is "about 40 per cent of the normal capacity of the existing yards." As Mr. Piez's figures are in deadweight tons, his proposal then would give a total of approximately 8,666,000 gross tons of shipping to the United States by an annual production henceforth of 1,333,000 gross tons.

A great merchant fleet, therefore, that would begin to be comparable to Great Britain's is not in sight for the United States.

## CHAPTER XI

### EDUCATION FOR FOREIGN TRADE

**British and German Methods of Approach—Democracy in Commerce—An American Policy Should Be Formulated—Training Must Begin In School—Foreign Trade Is Established Slowly—Two Years To Get Results, Five To Found Permanent Market.**

NEITHER the British nor the Germans, the leaders in the winning of foreign trade, rushed into foreign markets with the expectation of easy conquest. They knew that to get and hold foreign trade of enduring value they had to approach it in no overweening spirit, but with proper appreciation of all that was involved and with the disposition to pursue with system and method the course which reason and experience showed must be followed. They contemplated it as a matter of national importance.

The German method of approach was based on the calm and dignified procedure that had proved so successful with the Briton, but it added new and carefully thought out ways of assuring success and on a great scale. Usually in a new market a German of high standing, almost of ambassadorial rank, having credentials from his Government, arrived in the field, made a lengthy stay and dealt openly with everything but the question of commerce and of trade penetration. He was the pioneer.



His secretaries and assistants were men picked for their ability to discern and to judge accurately. He returned to Germany and the results of his work and of his observations in the foreign country were studied and tabulated and then there went out an official business representative, also of special training and discernment, whose mission was to discuss on a high plane in the foreign country the question of trade relations with Germany. It was only after this second representative returned home and his reports were carefully analysed that the actual business getters were sent out from the various groups of German industries to begin the active work of establishing German trade in that particular country. And they were no mere order-takers or travelling salesmen. They were to be resident trade representatives, men selected to settle down in the country, under contract to stay for a certain number of years, if not permanently.

The whole process was gone through with extreme deliberation and care and no attempt was made by the leading industries to obtain business in the foreign country until they had accurate knowledge of the nature and precise form of the products which the foreign country desired and until they had actually made up the special lines of goods and had satisfied themselves, not only regarding costs and prices to be obtained, but also regarding the desirability of their devoting part of their manufacturing resources to that particular line and for that particular country, rather than to other lines or for other countries. The political side of the question was considered with no less care than the economic and social sides.

All the German manufacturers were imbued with the importance of not making a false start. They planned slowly and prudently; they studied everything pertain-

ing to their subject and they became amazingly familiar with all its details. They were able to show the foreigner at every point that they knew more than he, that they could always teach him something; they had foreseen his special problems and had prepared solutions for them. Permanency was a prime consideration.

The whole German business world was taught to concentrate its attention on the importance, in the national interest, of winning foreign trade. Legislation and business policies were shaped for the purpose.

The British, the French and the Germans have had their characteristic way of envisaging foreign trade. American manufacturers can now enter with their own special attitude. They can emphasise it by proclaiming their democratic ideals and their fundamental principles of fair play, of co-operation and of service with respect to those with whom they deal, so that the idea may be conveyed that their aim is not for one-sided gain but for mutual profit. The American ideal, it is to be hoped, will be that indicated by the purpose to uphold democracy in trade and commerce, to repudiate the doctrines of commercial rivalry and ungenerous competition and to disavow any desire for conquest or for the conducting of economic war or anything that might by any stretch of the imagination be described as "warfare" in trade.

Democracy in commerce, as a distinguished American economist has said, would prompt us to recognise the rights of our foreign competitors and to seek the welfare of those with whom we trade, in order that we may continue to share in a welfare to which we contribute; mutual good will inevitably follows and where good will exists war is impossible. Democracy in commerce prescribes the continual exercise of what has been called The



Golden Rule of Business. Naturally, account must be taken of the measures adopted with regard to foreign trade by other countries. There must be organisation to meet organisation and, as far as possible, government support to meet government support. We must meet foreign competition, that competition which is the life of trade, and America then will have the privilege of setting the example in competition, of the constructive and not of the destructive and fiercely combative kind.

The United States has the wonderful opportunity of taking the lead in shaping the methods of carrying out trade nationally and internationally. It has the opportunity of promoting commerce that will lead to peace and of forever discrediting the commercial methods that have led to war and, instead of struggling for monopolistic control and domination, as the Germans had done, this country can establish international good will that shall include all who are willing to participate in commerce in an upright and honourable way.

American manufacturers must get together if they are to win foreign trade in a big way and in fairly rapid fashion. Competent, experienced leaders for groups of industries would be an advantage of the first magnitude.

A definite foreign trade policy should be established. Measures should be decided on for dealing with those who violate it and who thus detract from the good repute of American industry and commerce. Foreign trade agents should be selected, well-paid experts, and the American manufacturers should not enter the foreign field until fully equipped, after proper study, with right products at right prices and with the feeling that they are entering foreign trade not as a side line, but as a vital feature of their business.

A resolution was adopted at the Atlantic City business congress calling on industrialists and Government to promote education for foreign trade. "In the larger opportunities which are to be opened to American business men to play a part in the international commerce of the world," it stated, "the need will be felt for more men who are trained to a knowledge and understanding of the language, the business methods and the habits of thought of foreign lands. Complete success can only come to those who succeed in putting themselves into full accord and sympathy with the peoples with whom they are to deal.

"We urge upon our industrials that they take steps to provide opportunities to young men to obtain an education in the practices of overseas commerce and finance and in the practical uses of foreign languages.

"We call the attention of the various departments of Government and the attention of educators to the importance of this matter and ask that special efforts be made to supplement the valuable work already done and to open up every facility to the furtherance of a successful prosecution of this educational work."

As already stated, it would be idle for them to think of going after foreign trade by sending out a salesman with a bag for a few weeks' tour. One of the authorities of the Standard Oil Company, who had much experience in directing men abroad and who can speak with some weight on the way in which men should be trained for foreign trade, has said: "We must go back of the college and into the high school, and there sow the seeds of at least complacent endurance of the idea of emigration to foreign countries to carry on America's foreign trade."



Mr. E. M. Herr, president of the Westinghouse Electric and Manufacturing Company, has stated in this connection:

"Before the war we did a comparatively small part of the business of furnishing foreign countries electrical machinery, but we will not keep even this small part of the business long—though we should succeed in securing a great many orders while Europe is prostrated—unless we invest our money there, arrange ample credit facilities, and send our well-trained young men to those lands, not to make a business trip or excursion, however complete or extended, but to settle down and make their homes in such countries, learning the needs and tastes of the people, not by casual observation but by intimate, friendly, long-continued personal, sympathetic contact.

"In addition to adapting our goods to export requirements, we must arrange to give service in this trade at least as good as in our domestic market. We should never forget in any industrial business that we are selling service as well as product, and that, however good the quality of one's product, if the material does not come when needed, is not packed properly, or in any other way our service to the customer is unsatisfactory, the transaction fails to tend to tie him to the producer and permits a competitor to obtain a foothold not otherwise possible. These are ordinary principles of business, but apply with unusual force when we are dealing with a customer in a foreign land."

As a guide to American manufacturers contemplating entry into foreign markets, and as an aid in providing equipment for foreign trade, Mr. B. S. Cutler, Chief of the Bureau of Foreign and Domestic Commerce of the Department of Commerce, advocates the establish-

ment of a Bureau of Industrial Practice with the following subdivisions:

1. A Division of Shop Practice. Machinery and artisan methods here and abroad can be studied, measured, compared and published to the infinite advantage of shop executives, since most of us never progress beyond the limit of our own originality.

2. A Division of Material Valuation. The original sources, the handling and grades of foreign and domestic materials are seldom thoroughly understood by the user; often he buys in a rising market at prices made up he knows not how, although he may have bargained hard. Neither does he know the available stocks.

3. A Division of Information on International Water and Railways. A traffic adviser to commerce and for commerce, an advocate in favour of proper trade routes could render great service.

4. A Division of Distribution Economy. The development of sensible delivery methods would cut down overhead expense to a substantial extent.

5. A Division of Cost Finding Methods. This has already been done in a degree for some purchasing offices.

The head of the foreign department of one of the great American manufacturing corporations with an established foreign business in every important country around the globe, a man of unusual personal experience in foreign trade, would like to impress on American manufacturers generally that foreign markets are not won easily or rapidly. It takes two years, he affirms, to begin to get results and five years to have an established trade, that is presupposing that the manufacturer has proceeded in accordance with the very best practice, with ripe knowledge and the utmost care.



If Americans are to create a great permanent foreign trade, they must set themselves to the creation of new markets. They must look over the undeveloped areas of the world, discover their resources and opportunities and contemplate the creation of transportation facilities and the financing in an important way of the areas or special commercial developments they propose to exploit. They will have to count on investing capital, granting credits, accepting and carrying foreign bonds and securities.

Direct participation by governments in the purchase and sale of staples and manufacturing materials and in the development of industry and commerce; the establishment of international credits for this purpose and in substitution for ordinary commercial credits, must powerfully affect the heretofore established methods of foreign trade and create a condition that will take time to work out, even on the part of governments and banking systems. For the ordinary business firm it will involve many questions for the solving of which there is no positive authoritative source of information to which they can have recourse.

Under the new conditions education for foreign trade will be a more essential preliminary than ever for the establishment of a great permanent foreign commerce. Education of the kind cannot be expected to be quickly acquired, especially as American industry may be regarded as entering only the first grade of the curriculum.

## CHAPTER XII

### OUR NEW OBLIGATIONS TO THE WORLD

**Duties That Accompany America's Financial and Commercial Supremacy—Warnings Against One-Sided Trading—America Must Supply Food, Materials and Credit—Will Be Expected to Invest in Foreign Securities—Problems of Relations with Other Peoples—Business Men the Natural Leaders in Difficult Times.**

THIS country did not go out seeking supremacy, commercial and financial. It had this supremacy thrust upon it.

Our commercial and financial greatness, however, has brought with it duties and obligations which a powerful nation animated by high ideals cannot overlook. And although they are of a moral order, to neglect them would subject our people to penalties of a very practical kind. Thus it is imperative that Americans shall not be grasping in dealing with other peoples, that they shall be fair and serviceable in trade, that out of their bounty they shall contribute to alleviate the sufferings of other peoples with a lavish hand and a generosity worthy of a great people in the time of its greatest prosperity.

Mr. William B. Colver, Chairman of the Federal Trade Commission, has said that any programme for the United States in the new era "looking to the building on top of the present credit balances unending moun-



tains of international credits will tend, not only to make the United States the most hated nation in the world, but to mark her for destruction. It means commercial imperialism."

Secretary Redfield has deprecated any hurried rush for foreign trade. "I do not think," he said, "that this is the hour for America as a nation to boom great, aggressive conquests in the economic world abroad.

"It seems to me that if to the \$8,000,000,000 due us, which is certain to be \$10,000,000,000, if to this is to be added the credits necessary to spread an intensive and worldwide rush for all the trade we can get, we would be piling credit on credit, balance on balance, and run a certain danger lest, adding to the debts due us on one side, we take away in some measure the earning power of those people to whom we must look to pay us what they owe us now and what they are to owe.

"We have a great problem, the problem of supplying the world food and equipment in a very large degree and to furnish the credit with which they must pay us. In what form it will be done I am not sure, but I hope it will very largely take the form of our investing as individuals and associated organisations of one kind or another in the securities from abroad which will be offered us here.

"If we do not extend our acceptance in this way, then France and Belgium and Italy and Serbia and Poland must go without food, materials and equipment to restore their life. It seems to me that just as a common sense American aids a debtor who has ample assets if given a helping hand, it is now the merest common sense to extend the helping hand of business to those countries."

Mr. Paul M. Warburg, formerly of the Federal Reserve Board, said in his address at the Atlantic City Congress of business: "In the war we have made common cause with the Allies. We should likewise make common cause with them in seeking the solution of the immediate problems of reconstruction which they face because of the efforts they put forth in the war. These problems peculiarly depend for their solution upon commerce. Raw materials and industrial equipment which we possess the Allies urgently require, that they may reconstitute their economic life. We should deal generously with them in sharing their resources.

"In order that we may share our materials with the Allies, we must also provide them with credits through which they may make the necessary payments.

"As I see it, our future economic position will be of such strength that it will be difficult for many countries to keep their exchanges at par with us. They are not likely to have sufficient quantities of the goods required by us, nor will they have large amounts of gold to spare, and therefore, in payment of the things we sell them and of the interest they will have to pay us, they will have to try and find something else than goods that we may purchase from them; that is, they will offer us the individual or collective obligations of their nationals, or their industrial enterprises, or such securities or assets of other countries as they control. If we want these countries to continue to be able to buy our goods, it is therefore incumbent upon us to prepare ourselves to grant these foreign credits and to buy and assimilate these foreign assets."

That America's manufacturers and merchants are fully alive to the condition and spontaneously willing and



eager to play a noble and generous part was shown by the resolution on "international reconstruction" which was voted at the Atlantic City congress.

"In war," it said, "we have made common cause with the Allies. We should likewise make common cause with them in seeking the solution of the immediate problems of reconstruction which they face, because of the efforts they put forth in the war. These problems peculiarly depend for their solution upon commerce.

"Raw materials and industrial equipment which we possess the Allies urgently require, that they may reconstitute their economic life. We should deal generously with them in sharing these resources.

"In order that we may share our materials with the Allies, we must also provide them with credits through which they may make the necessary payments.

"Our ocean tonnage must supply our troops overseas and help to provision the inhabitants of war-devastated regions. The part of our ocean tonnage not required for these paramount needs, and vessels of associated countries which are in a similar situation, should be entered into the common service of all nations. This common service should secure to all nations their immediate needs of food, raw materials, and transport for their products."

Nations have become powerful under two kinds of leadership, that of the great captains in the field and that of the great commercial men of enterprise. The seed of the Alexanders, Cæsars, Napoleons has perished. The great figures in industry are the only world conquerors of our time and in the future. To the enterprise and energy of business men we owe our great modern progress. To them by rightful title belongs leadership in the amelioration of world conditions.

## PART IV

### AN ALTERNATIVE FOR FOREIGN TRADE

#### CHAPTER I

##### DEVELOPMENT OF THE HOME LAND

**A Rare Opportunity Offers—Replace the War Urge by a Peace Urge—Scheme of "Beautiful America"—Problems of the Hour Would Vanish—How United People Can Work for General Betterment—All Humanity Would in This Way Be Benefited.**

THIS country is great and prosperous as no country ever was before. It is eager to do great things. Its eyes are scrutinising the horizon for opportunities. The whole world is being searched for them. And yet here at home is an opportunity of the most grandiose kind, worthy of the noblest efforts of the greatest and richest people in the world.

Our sudden growth of prosperity has brought with it a huge problem. We have factories, machinery, labor, money, raw materials—all that is needed for vast industrial production far greater than our country can at present absorb. To reduce in any great degree the high pitch of production which the war has evoked would be calamitous. We cannot think of slipping back, of letting wages go down, fires go out, wheels stop; of seeing the park benches filled with the unemployed; poverty, misery, and



suffering rife; rust and cobwebs on the tools of industry; the wind blowing through broken panes into factories cold and dark, the fine burst of war-time energy and enthusiasm extinguished; men growing stale; Bolshevism creeping upon us. This cannot be, we say. The fine fire and vigor is still with us. We shall find a way.

Let us not deceive ourselves. If we do not find a way, and fairly soon, we shall certainly begin to sink back, slowly, gradually at first, but the decline to dulness is made with increasing speed.

The way that most of us now have in sight is the foreign market. If home demand does not take all of our production, there is nothing left but to take the surplus abroad. There we can create a new trade that will take care of all our increased productive capacity and guarantee us ever new industrial growth and expansion.

Let us hope it will. Nothing can be more valuable to us, going out to conquer, than the conviction that we are certain to win. But, once more, let us not needlessly incur the risk of deception.

The war has changed many things, foreign markets included. We are the great creditor nation; we cannot be sure that the others will be willing to go on running into debt to us. The foreigner may not need the things we would most like to sell; he may not have the money to pay for them; we may not be inclined to accept the wares he would offer in exchange for ours. There may be competitors in the foreign market, selling more cheaply than we, having better banking arrangements, or allowing better credit terms. Besides, to get into a foreign market takes time—two years, we learn, before one can legitimately hope for a show of results; five years before one really gets going.

Yes, but we shall do the thing in a new way and with a war-time rush. The world's stock of goods is depleted; we have the goods, we have our new ships, we have our foreign banks; we shall get the business. Let us fervently hope so, although the expert, the man who has had experience, will keep on affirming "It takes time," and although, as indicated elsewhere, our notion about new ships was not altogether exact. The new ships will not be there in the quality or in the volume most of us had expected.

Let us not by any means overlook the foreign market. Let us hope and believe that it may quickly prove to be at least part of the new outlets we need.

But if we count on the foreign market as our only hope, and for one reason or another it should fail us, if there should be some hitch, what then?

Is there not some alternative for the foreign market? Let us see.

We have seen the urge of war, the wonderful national spasm of effort that can concentrate all energies on the accomplishment of a determined end, when that end is a great one. Can we not stir up a peace urge, with an end that merits the piling together of all our national energies and the directing of them at its fulfilment?

What greater aim could a people set before itself than to make its country beautiful, to make it a model and ideal land to live in where all things worth while in life are made available to all, where comfort and well-being are made general, where all are made happy? Could not this aim serve to inspire the great peace urge? If it could, then we should have no absolute need of the foreign market. From the merely economic point of view we should have something far superior.

War, the killing of men, the devastation of countries,



the desolation of homes, the reversion to savagery, can perhaps be best compensated for by a great combined immediate striving, not merely for a quick return to the ways of civilisation and progress, but for an intensification of them such as had never before been seen, for the reaching in one grand bound of the goal towards which we have been heading slowly, with gains and with setbacks, with no assured confidence of final success.

There is a chance now that may not come again. America is rich. Never before has it been so rich, so prosperous, so self-confident, so conscious of its own giant strength, so tingling with vitality and energy. It may not again for many a long day be in such splendid shape for the undertaking of a great concerted enterprise.

The urge of war, for its best handling, is supposed to call for a great leader. The thought may arise that a peace urge would be impossible without an eminent captain to summon forth the whole people, to arouse their enthusiasm, to inspire a spirit of eager desire for action, to show the way and to carry them along irresistibly and with ever increasing zeal for the end in sight.

But even if a great chief is lacking, the start could well be made. The leader, if he was imperatively necessary, would crop up with the progress of the movement. American business men, organised in groups or in a body, could undertake the leadership. To them really it belongs to work out plans, to determine the form of co-operation which is to be demanded from all the units and elements of the community. And, be it noted, it is not generosity and sacrifice that really are called for. Nobility of thought and generosity of ideals here find themselves attended with intelligent self-interest.

Eighteen months of war showed the way in which an

organisation for this purpose can be created on a practical basis. The War Industries Board had more than two score sections which directed the main groups of industries in the war urge. The Conservation Division of the Board called in hundreds of separate industries—not to direct them, but to learn from them how they should best direct themselves for co-operation in the great combined war effort, and to make it mandatory for the industries to carry out the plans they themselves had proposed. Mr. A. W. Shaw, Chief of that Division, considers the peace effort here proposed not only desirable but entirely feasible.

The organised industries could undertake to beautify the cities and towns, to lay out and improve parks, to build roads, to develop communications and transportation, to wipe out unsightly and unhealthy tenements and replace them with comfortable and attractive dwelling places, to erect public buildings that would elevate the mind and inspire civic pride. Other organisations could lay the plans for the education of youth and for the mental, spiritual and æsthetic development of the whole community, for the conservation and improvement of health, for sports and diversions of every desirable kind.

New outlets for products would thus be created and business would boom in a way we have not yet witnessed.

Secretary Lane's undertaking for the reclamation of waste lands—swamps, arid land, cut-over land—while primarily conceived for the purpose of providing immediate work and eventually homes for returning soldiers, would fit in admirably as a part of this enterprise. Mr. Lane's proposal to pay the returned soldiers, and such other workingmen as joined in the enterprise, for their



work in reclaiming the land under the direction of expert engineers, for the work done while learning to farm it under direction of the Department of Agriculture experts, for their work in building the community centres which they are ultimately to occupy, and in learning mechanical trades against the day when their community centres shall have become hives of industry, and then to deed over to each soldier or civilian worker a section of land, with farming implements and equipment, and a dwelling in the community centre, on an easy long-term payment plan, is economically sound and is a wholly justifiable use of public funds since it assures a hundred-fold return to the nation of the moneys it advances, as well as benefits and services of many kinds which cannot be calculated in mere terms of wealth. It might well serve as a model for other features of the broad scheme here under consideration.

Cities, towns and community centres of all kinds would inevitably be intensely interested in the scheme, once it was set vividly before them. The emulation which we witnessed between cities and towns—in service flags, in “going over the top” in Liberty Bond sales and War Savings Stamp sales—would be duplicated in this “Beautiful America” project and would be a stimulating influence in getting the most desirable results.

During the war there grew into popularity the interesting practice of holding Block Parties. On a certain day a given city block was decorated with American flags and banners of all the original nationalities of those residing in the block, a large service flag showing by its stars the number of men the block contributed to the military forces of the country and each house displaying conspicuously the service flag of those who dwelt in it. At night

the block was gayly illuminated, a band or orchestra played while scores of couples danced on the street. An interesting fact is that even in the humblest districts all rubbish was cleared away; windows were washed; houses, railings and areas were cleaned and brightened up, and the street itself was scrubbed for the occasion to serve as a dancing floor. The inhabitants donned their best clothes and there prevailed for the time being a general sentiment of good fellowship. The war had engendered "Block pride." Furthermore, there was a notable emulation between the various blocks to outdo one another in making their block the most attractive and in holding the most successful Block Party.

The Block movement had hardly got well started when the armistice was signed, but even in the brief period during which it lasted, it showed a notable evolution and it would have been interesting to be able to see how far, and in what way, it would have developed if it had continued in existence.

Here was a movement that came about without leadership, that started spontaneously from the people themselves. It is easy to imagine how, under broad organisation, it might have been turned to account as an important factor in the war effort. For a great peace effort, such as that here proposed, block organisations and others representing subdivisions of the population, are manifest opportunities of the greatest promise.

This country does not need wealth. It has more now than it could reasonably have hoped to have a generation from now in the normal development of peace. This country grew great by its domestic industry and commerce. It now needs more commerce. It needs work for its new factories to give returns to invested wealth,



to keep workers employed, to hold wages high, to maintain good living conditions, and to continue the prosperity and welfare of the nation. Whether that increased commerce is foreign or domestic may not seem to matter greatly, as long as it is forthcoming. As a matter of fact there will be a distinct advantage if an appreciable part of it is domestic. Let us not be misled by sophistries about the superior boon of foreign trade.

The industries that are now prosperous and are bloated with a capacity for production would be making the most precious kind of an investment in helping to develop their country in the way outlined, in creating new markets for themselves. They have to make investments to get foreign markets. They have to put out funds in order to obtain foreign orders; they have to put money into the manufacturing of goods for the foreigner; they have to sell their goods to the foreigner on credit. Thus they have to work for the foreigner and to finance him before they can reap profit from him, and they are benefited themselves only after they have benefited him. How much less precarious and how much more beneficial to themselves will be their investment in their own country which is blessed in superabundance with natural resources that make it almost independent of the outside, quite differently from the foreign country which must give and take in order to prosper and where a shift in the balance of exchange of products may affect its own prosperity and that also of the nations with which it trades. How much more secure and reliable is American domestic trade and what a benefit to America to have it constantly expanded.

The great prosperity which the war effort brought to the United States would be nothing compared to the

prosperity which this peace effort would bring. The war effort prosperity came through the production of things that were made merely to be destroyed, to be blown to atoms or to be worn out in a very brief time. Prosperity from this peace effort would be based on the production of things that endure and that guarantee a continuance of demand. The war work was for abroad and was but temporary. The prosperity that comes from work done for a home country such as ours does not end with the immediate effort; it increases in geometric progression with continuous systematic work.

America's commercial greatness, as has been said, was established through the home market. The market was here and it kept growing in its demands and requirements. But little effort had to be made for its cultivation. It was the tilling of a rich virgin field. The time has now come for intensive scientific cultivation of it. The opportunity is here; it is boundless, practically unlimited. And no mere dream of fortune is this, but the reasoned practical demonstrations of common sense.

Every single industry, profession and line of trade is interested in pushing the plan with every ounce of their energy, for every one of them will be the gainer by it, as they could be gainers in no other way.

The workers of the Nation are no less vitally interested in throwing themselves into the movement in the heartiest way, since it involves for them better times, superior living conditions, recognition of their true status in the industrial life of their country, the stimulation of their efforts to elevate their position, the assurance of the best that life offers for their children, the coming of those very conditions for bringing about which they have organised and agitated and even have allowed them-



selves to be seduced by the will-o'-the-wisp promises of "leaders," some sincere and some merely unscrupulous.

Health, joy, energy and patriotic ardor must, as a result of this plan, be stimulated and vitalised in the whole people. The war tended to bring all the people together, to allay bickerings and suspicions, to make them feel more vigorous and forceful and more ready to make mutual concessions and live and let live. Yet a war aim as a stimulus would not be comparable with this peace aim in calling forth ambition and energy and in promoting good fellowship and co-operation, and these of course are at the basis of all the development and progress we can hope for. Bolshevism, the spirit of dissension, hatred and destruction, would not dare raise its head.

The Union, its Government and Administration, through this movement would be exalted to a degree to which no state in all history has ever attained, for its foundations would be the willing co-operation, the unity and the happiness of a whole people, in the highest grade of civilisation and of expertness in the development and manipulation of the means of progress, and living in a land of unrivalled resources.

Proper handling of this scheme will make of Americans the scientific market-makers of the world. They will have become the professional business creators. No reason will there be for the scope of their efforts being limited to their own country. They will be able to use them also in other lands, for their own benefit and, even better still, for the betterment of the whole human race. One hesitates at sweeping general phrases, and yet so it actually is; the way is here plain for lifting up and ennobling our common humanity.

## CHAPTER II

### PROMPT ACTION NEEDED

**Conditions Now Ripe For New Great Undertaking—  
American Industries Are Pausing before Fresh Start  
—Home Trade Versus Foreign Trade—Financing  
Needed in Either Case—Machinery Manufacturers  
Preparing Campaign—The Most Desirable Purpose in  
Planning Public Works.**

THE difficulties that confront us in planning to develop the resources of foreign countries in order to create for ourselves a great and permanently reliable outlet abroad for our industrial production do not present themselves when we consider the development of our resources and trade opportunities at home. The question of financing, when applied to our own country, ceases to be a problem. The long delays of investigation of conditions, resources and opportunities and of education for the new prospective trade abroad are not needed.

At home we already have the initial development in all its various forms, a development of vast magnitude; our problem is merely one of elastic expansion, normal and methodical. The opportunities that here offer themselves are, in view of all the circumstances, unparalleled anywhere on earth. With the whole people working as a unit this expansion would be instantaneous; no waiting for something to turn up in a country out of sight



and out of reach. Human progress normally is slow. War speeds it up. If we mobilise all efforts for it as we did in war time, we can make it advance by leaps and bounds. Capital and labor questions could be settled in a new and more satisfactory manner and the better day for all would surely come.

Nor is this an adventure into the realm of pure imagination. A phrase uttered by President Wilson in the Italian Chamber of Deputies is apposite. "What men once considered theoretical and idealistic," he said, "turns out to be practical and necessary." So far is this proposal from being merely idealistic that it is advanced as an urgently necessary means of saving a serious situation.

Every foreign country of importance is going to work out for itself the greatest possible measure of self-sufficiency. The manufacturers in other lands have come around to the American policy of big quantity production. The war forced it on them. America does not need to strive for self-sufficiency. What she may rightly strive for is the very fullest form of self-development and self-embellishment.

Normally there is a certain natural repugnance to taking up any great enterprise whose form is more or less undefined and in which one's own interest is not specifically manifest. There is a lethargy to shake off, an inward revulsion to overcome. The country was under the oppression of this inertia in the period before it entered the war. War shook it free from the lethargy. The heart of the whole nation is now beating faster. No task would be too great for it.

If action is to be taken on this great plan, it should be taken without delay. Nature tends to reassert itself;

enthusiasm wanes when pressure is relaxed ; peoples after a period of exaltation subside gradually into the old routine. If the chance is allowed to slip, it will be more difficult to start up again. The money and resources which we have in such tremendous abundance may be dissipated in other and unfruitful ways. It is flouting Providence not to profit by it for the one most worthy purpose to which men can apply themselves, the elevating of their kind. What excuse for our age and its civilisation if it neglect this unique opportunity to take a giant stride in advance?

Decision, if it is coming, should come soon. Industries that could participate are in the state of pause, undecided about the fresh start to make. This is the opportune moment to point the new road to them.

It is not the case of one or more great concerns showing vision and discernment and starting off on the right path. The vital interests of the nation are concerned in the whole industrial forces of the country choosing the right way from the cross-roads we have now reached.

American industry is on the eve of an important change-over in the matter of machinery. It is obvious that the principal uses to which American machinery is to be devoted should be known well in advance, so that machinery manufacturers may be guided in their plans. Like everything else, machinery is made in a particular way in view of its special market.

While machinery manufacturers were engaged in turning out highly specialised and simplified machines for war work, they had not the opportunity to bring out all the new and perfected types of machines which the evolution of their industry made feasible. The war for them has been a marvellous efficiency teacher. While



in general they were working on old-form products, they kept along steadily with their plans for new and perfected machinery. The unification of the country's effort and the free intercommunication between our manufacturers and those of the Allies, made it possible to discern weak points and good points in machinery construction and to design machinery with the special aim of making it available for all kinds of workers, even persons lacking in physical strength, such as women and crippled or otherwise debilitated men. All the machinery manufacturers have this great body of acquired knowledge at their disposal. They are now almost ready for decision as to their future plans. Unquestionably they would rejoice to follow the patriotic instinct and throw the great weight of their influence for home development, if only the vista were made clear to them.

War experiences have had an amazingly broadening effect on our whole industrial methods. Those four years spent in producing products that were blown into shreds on the battlefield did not represent four years lost for scientific and industrial progress as the pacifist brethren would have it. Instead of losing four years we have gained a net advancement in the art and science of industrial production of at least ten years.

How favorable is the hour for putting into reality what must have been the vision of every true patriot, the aspiration to make the United States overwhelmingly powerful, to make America beautiful.

Every industry, every line of business in the country is interested in an early decision. The governing authorities, national, State and local, who are meditating public works to provide labor for the unemployed would also be supplied with a most desirable guidance. The

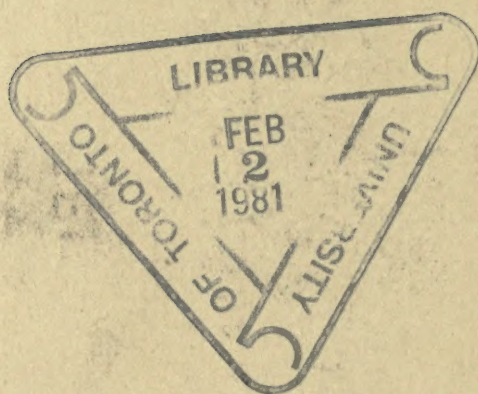
whole people while the exuberance of vigor called up by the war is still strong in them are in the best condition for being summoned to a new mighty effort.

And with this great task undertaken and carried on by a united people animated by an enduring energy and enthusiasm, the future historian might well quote, in a new interpretation, Bishop Berkeley's graceful prophecy, in a great compliment to America:

"Westward the course of empire takes its way;  
The first four acts already past,  
A fifth shall close the drama with the day:  
Time's noblest offspring is its last."









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